

CREDIT

AUG 17 1943

and Financial Management

AUGUST, 1943

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"I was pleased to receive your letter with the result of my final examination. I thoroughly enjoyed the course and it has proven very helpful to me in my work."

Baxter Davis, Chattanooga, Tenn.

"Throughout the duration of my course with the National Institute of Credit, my work has been very interesting and I have studied your comments finding them educational and applicable to every day business life."

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"May I again express my sincere appreciation for the personal attention you have given them (solutions to problems) and the constructive criticisms offered."

Dorothy I. Kasbee, Cambridge Springs, Pa.

"I enjoyed this course very much and am happy to have completed it successfully. I want to thank you again for your encouragement and thoughtfulness."

C. F. Stephenson, Mansfield, Ohio

"Not only has the course been very helpful to me, but I have derived much benefit from the magazine 'Credit and Financial Management' and Mr. Heimann's letter. . . . Please accept my sincere thanks for the help you have given me in this course. . . . Thank you very much for your comments on my form letters. They were helpful in making up a new set for actual use."

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"It was time well spent, I feel, and have already found the knowledge gleaned of real service and value. . . ."

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"There is certainly a great deal to be learned from the course in Credits and Collections and I will not hesitate to recommend it to any whom I can interest in this work. I feel that I have been well repaid for the time and effort and expense devoted to it. . . ."

"I assure you that I have appreciated the help you have given me in this work and value the comments received in your letters and have kept each of your letters for future reference."

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Heads I Win—Tails You Lose

CF If the government is going to insist on its renegotiation policy it should recognize that renegotiation is a two-way street instead of a dead-end road.

If all the manpower hours of government representatives, accountants, cost accountants and management engaged in renegotiation were totalled and evaluated, the dubious savings arising out of renegotiation would, in comparison, seem hardly worthwhile. Add to this the ridiculous claims that billions of dollars have been saved in renegotiation and you get a state of mind that is utter confusion. How can there be billions of dollars saved when tax laws recapture excess earnings? If you don't think they are operative, ask the Treasury Department to show you their figures or review earnings before and after taxes.

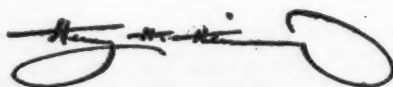
It would seem the present renegotiation policy easily could destroy all incentive to efficiency and economy of operation. How could it be otherwise when our price structure is reasonably well frozen?

Many industrialists have looked in vain for a chance to renegotiate because they miscalculated and lost a large part of their capital. In these instances the government did not lend its ear but asked business to turn the other cheek.

Although the law itself contains no provision against permitting renegotiation of contracts for those who have had a sad experience, to the best of my knowledge no renegotiation had been effected when the estimate of the contractor has been so low as to result in a loss.

We are in a serious war effort in which every citizen and business is doing its part. This is no time for a "heads I win—tails you lose" shell game. Renegotiation sounds well politically, but the American people are in a war and want no political expediency to interfere with that war effort.

The boys who talk about profits "before taxes" remind me of the "binder" boys of the Florida real estate boom days. You could read about millions of profits but when you tried to realize your gains you found you were counting pennies.



Henry H. Heimann



Official U. S. Navy photograph

THEY'RE ALL ACES TODAY

Blinding speed, armored planes and devastating firepower have eliminated the individual ace—the “knight of the air”—from modern aerial warfare. Now it is the perfect coordination in precision teamwork of *every* echelon and *every* squadron that “rings the bell” in air battle.

That is why American fighters and bombers are writing such glorious new pages in history. Americans are brought up on teamwork—in play, in business and in war. In the fire insurance industry, for example, despite the handicaps of the manpower shortage and drastically curtailed transportation, agents are continuing to bring insurance protection to American homes and industries. And besides giving efficient service to policyholders, agents are active in civilian defense—another important form of protection.

Moreover, they are still further proving their teamwork ability by patriotically cooperating with our company in its modest contribution towards national war financing through the Ninetieth Anniversary War Loan campaign, which provides that:

All new gross premiums collected on fire and other policies that the Home writes for the balance of the year are being invested in War Loan Bonds. These purchases are OVER and ABOVE the normal government bond purchases which the company is continuing to make.

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Ninetieth Anniversary Year

An Appraisal of Post War Credits

Some of the Problems to Be Met After V-Day

CIn the midst of the most devastating war the world has ever known, the credit executives of North America are vitally concerned with the impact of war-time conditions and regulations and their ultimate effect on the credit structure of the world and our nation.

My thesis, therefore, is primarily intended to offer for consideration, a review and basis for discussion of economic and political conditions resulting from the war and to serve as a starting point in arriving at a basic policy in preserving the credit structure as we know it in the post-war period.

Let us start with the problems of taxation and public debt. The cost of financing the United States' participation in the war program is derived from two sources, borrowed money and taxation. The United States Treasury has recently successfully completed one major financial operation in borrowing thirteen billion dollars. Another large scale loan will most likely be undertaken in the Fall of 1943. In addition to the funds derived from borrowing, business through taxation and the renegotiation of government contracts will make the largest contribution in the tax history of this country.

The Public Debt

THE public debt bids fair to reach one hundred billion dollars and possibly more before the cessation of hostilities. I cannot too strongly remind you that this debt must be paid. While a certain amount of floating debt may prevail, the cost of carrying such a burden in peacetime is almost unthinkable. One may say and rightfully so, what alternative have you to offer? My answer is the adoption of the financial policies and taxation system followed in the Dominion of Canada where the bulk of Canada's cost is being financed out of income

By E. WILLIAM LANE
Treasurer, American Screw Co.,
Providence, R. I.

with post war credits to be available for use when peace returns. I, therefore, submit this Canadian plan for your analysis and consideration in lightening the war's impact on peacetime operations.

Public debt does not stop with the Federal Government. Our state and municipal governments have not made any worthwhile reductions of public expenditures in general although the cost of providing for the unemployed has temporarily disappeared but state and city budgets have not been pruned or scaled downward. State legislatures and city governments are still desperately seeking new sources of revenue and this means that the returning soldier as well as the man and the woman who stay at home will face new local taxes. There is, however, one ray of sunshine and I now refer to private debt, where real progress appears to have been made. Bonded indebtedness of railroads and private corporations is being substantially reduced through the reorganization of the corporate structures or by the refinancing of various forms of fixed indebtedness. Installment selling and small loans made by individuals have been kept well in hand by the regulations administered so effectively by the Federal Reserve System.

Some New Burdens to Face

BEFORE leaving the subject of debt and taxation, may I also remind you that the cost of soldiers' bonuses, rehabilitation of the wounded and unemployables is definitely food for serious thought. The problems resulting from the re-employment of the returning members of the armed forces together with the large number of female employees is something that just staggers the imagination. After a decade of a system of government

patented and operated on a socialistic plan with high wages and short hours the order of the day, I am convinced that we are heading for a shake-up which will make the fall of the stock market of 1929 look insignificant.

In support of this contention, I refer you to the special number entitled "From War to Work" recently published by Survey Graphic of which Stuart Chase is the editor. Eighteen contributors representing business, labor, government and miscellaneous fields collaborated. Mr. Chase states that eventually forty-five million people will have to change occupations after allowing for fifteen million who will remain in the armed forces. This leaves thirty million to be transferred to peace-time occupations which is more than twice the number of unemployed in 1933.

Thus far, I have touched but briefly upon the problem of restoring and rehabilitating the wounded soldier to gainful employment, or indicated what will become of the woman war worker who has been doing such a good job in these critical times.

Can We Foot the Bill?

WITH the potential unemployment and readjustment problems that face us, I ask you, can we pay the cost of servicing our Federal and State Governments' debts, let alone reduce them? Can the credit structure as you and I know it survive such a shock? Prior to Pearl Harbor and up to the present time we have become accustomed to thinking that the present wage levels will not recede materially because of the numerical and political strength of the labor unions. Do you believe that with even ten million unemployed to say nothing of thirty million which Mr. Chase sees idle we can maintain a deluxe standard of living? I say we cannot.

In support of my contention, may I digress for a moment to quote in

part the views of that able economist, Roger Babson, which appeared in the *Christian Science Monitor* of April 24, 1943. Mr. Babson says in part:

"Twenty million people are now engaged in war work. Some day this war will suddenly stop. Admiral Halsey is reported to have said it would end this year; but I don't believe it will end until after elections in November, 1944. Whenever it does end there will be an awful crash in the union labor market, the same as there was in the stock market in 1929. Millions of union labor will quickly be thrown out of work. Those getting the highest wages will be dropped first. There will then be a job panic and a job depression and all kinds of job troubles. Moreover, this labor panic could take place with increasing commodity prices, greater real estate activity and even higher stock prices.

A Drop in Wage Scales

"THE politicians may say this will not happen. They may say that the government will give employment if private companies will not do so. Perhaps this will be tried; but if so, the government will not pay the wages—no, nor half the wages—that war workers are now getting. No government could continue in office which paid any special group of ex-war workers more than letter carriers, policemen and other government employees get. This averages \$25. per week for women as 'tops'. Union war workers are now having a reckless, riotous and crazy honeymoon.

"Beware of political promises—then think of this—If the government takes over factories to make shoes, or textiles, or motor cars so as to give ex-war workers jobs, how is the government going to sell the shoes, clothing, textiles or autos? There is only one way and that is by cutting prices below what regular manufacturers are charging. This would mean that these private manufacturers would need to shut down and throw their employees out of work. Hence, the 'cure' would be worse than the disease. The politicians would only be 'robbing Peter to pay Paul'. For every vote they might get from the war workers, they would lose two votes from peace-time workers and returning soldiers.

"In the above calculations I have

said nothing about these ten million soldiers who will be returning home. They will have 60 days to return to their old jobs; but they have been given no promise about wages. This is another reason why the present employers paying higher wages for war workers will be compelled to let these workers go after peace is declared. The only way most employers can take back former employees, who were drafted into the services, will be by discharging those who have stayed home cashing in at high wages, while their brothers suffered and bled in the South Sea Islands for \$50. per month.

Riding to a Great Fall

"I REPEAT that all you war workers are now living in a fool's paradise. No labor leaders nor politicians can prevent a terrible crash in the labor market after World War II. Furthermore, the higher John L. Lewis and the railroad unions push up wages now, the greater the fall will be and the more grief after peace comes.

"I believe in labor unions the same as I believe in corporations. To have workable unions, they also must have well-paid officials the same as do successful corporations. My message this week is simply this: These union labor officials are as blind to the present wage conditions today as were the corporation officials blind to business conditions in 1929. These labor leaders are leading their union members for a terrible fall and disappointment the same as the corporation officials led their stockholders to disaster in 1929".

During this period of economic transition, we will do well to survey the ways and means of reconverting facilities to peace-time operations, and determine what disposition will be made of government owned plants. Believe it or not, the government is in business today with \$6,833,000,-000 in plant construction and \$7,392,-000,000 in machinery and equipment. The 1943 plant expansion program announced by the War Production Board is estimated at \$4,500,000,000. The Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, has already built and equipped 1,022 plants and has 457 plants in various stages of construction. New projects are already being added to the list.

Is it any wonder that such organizations as the U. S. Chamber of Commerce, the National Association of Manufacturers and our own National Association of Credit Men want to know if these plants are to be sold to private industry when peace returns or operated by the government. Watch for some announcement by the War Production Board and be guided accordingly in your post war planning.

I now want to submit for your consideration and possible discussion what might be called an experiment being undertaken by private enterprise which thus far has not been commented upon to any great extent by our economists and public officials. I refer you to the large scale housing projects of the Metropolitan Life Insurance Company in New York City. Here is an instance where private enterprise is doing what the government has already done in many areas, in providing up-to-date living quarters for the low income group. It is interesting to note that this type of construction, which is credited to Frederick H. Ecker, Chairman of the Board, has been extended now and work is underway in Alexandria, Virginia, San Francisco and Los Angeles, California. I believe you will agree that at the present time there is a shortage of housing facilities and the demand will be even greater with the return of the members of the armed forces. This type of investment if properly handled would seem to have wide possibilities and provide a source for safe investment as well as aid materially in easing the distress in shifting war workers to a peace-time basis.

Benefits of Construction Boom

THE indirect benefits to the heavy industries such as steel, hardware, electrical and others would be many. Peace-time production will unquestionably include the construction of homes in the limited price range together with replacement and deferred maintenance by the railroads and public utilities. In addition we will see a revival of the automobile industry and the possibilities for future development of the airplane industry are unlimited.

America is a luxury loving nation, and whether we like it or not, war savings are going to find their way into electrical appliances, jewelry, radios and hundreds of other items

which were not available during the war period. The application and use of war savings and war bonds to purchase either the necessities or luxuries will help materially in paying the bills, but we will have to educate the American people to use these reserves wisely.

Then again the stupendous tax burden that will surely be with us along with sub-normal employment conditions which are bound to make a large segment of the population look to their city and state governments for financial assistance. Approaching this problem from its most favorable aspects, there are various economic and credit problems of major importance.

The Place of Durable Goods

I HAVE purposely mentioned luxuries first on the list of things to be purchased because history seems to bear this out and human nature has not changed. Nevertheless, the demand for durable goods and necessities are certain to play a large part in peace-time production.

At no time in the history of mankind has research and invention been developed to the degree that it has attained today. Twenty-five years ago our new ideas came from the inventor with make-shift apparatus in the garret or in the shed in the backyard. Today every large industry has considered the importance of research and sooner or later some of the projects are bound to spill over. As in the past it will create new jobs and with it new credit risks, many of which will start on a shoestring capital.

One of the requisites of war is to produce quantities of goods and have available sufficient materials to meet any emergency and cover an indefinite period of time. I now refer to the tremendous reservoir of surplus materials that are bound to find their way into the market place at the close of the war. We had a credit problem due to surplus materials in the first World War and it is an almost certain conclusion with the stupendous facilities of today that the same problem will be with us again, only this time it will be on a much larger scale. Surplus materials make a buyers' market, and a buyers' market makes credit problems.

Before making a summation of the problems discussed and suggesting for your consideration the steps

we might pursue in meeting them, may I offer the following comments concerning the termination of government contracts? Thanks to our National Association of Credit Men and several other organizations who have so ably publicized the serious consequences to our economy if the termination of government contracts is not handled wisely and settlements made promptly, the Procurement Policy Division of the War Production Board has given this matter a great deal of attention. At the time this paper is written definite progress appears to have been made. Already the Army Ordnance Department has issued a manual for administrative audit entitled "Termination Claims of Fixed Price Supply Contracts". While progressive steps have now materialized, the fact remains that the whole subject of termination has not been placed on a uniform basis.

The restoration and maintenance of the world economic equilibrium. I believe you will agree, rests with the restoration of world trade. We are fighting a global war and we must plan a global peace. The restoration of world trade after hostilities have ceased will be a primary requisite for it affects the jobs and earnings of half of the world's population. The collapse in world trade in the past decade brought about widespread unemployment and was a contributing factor towards the present war.

Credit to Play Important Part

I HAVE endeavored to present some of the problems which fundamentally effect credit. There are, of course, others and while those that I have stated may seem somewhat abstract, I believe they will give us a starting point and an approach to the post war period. What can we as credit executives do now to intelligently find a solution and restore and preserve for the future a sound credit autonomy? Our course has been charted and we have strong precedence in that vehicle of action in our own National Association of Credit Men that has served business through three wars.

During the period of transition from war to peace-time levels, it will be subject to wide fluctuations as a result of unemployment. Our job is to hold fast to the fundamental principles of credit. The urge to pyramid sales will be terrific in filling the

backlog of orders of consumer goods. Then again the returning soldier and many individuals will feel the urge to be one's own boss and go into business which will result in many new accounts on your ledgers. Failures and financial embarrassments will again be something to think about. One of the working tools of your profession is the Adjustment Bureau system of the National Association of Credit Men. You are going to need it more than ever in the post war period. Support it now and entrench it firmly for post war action. A study of the bankruptcy records and statistics along with the insolvencies tables from 1920 to date will give you some idea of what faces us.

Settlement of War Claims Important

THE policy as finally adopted by the government as it relates to the termination of government contracts will determine whether or not we are to have a new crop of insolvencies at the close of the war. If we are to preserve the corporate business structures, the settlement of government contracts must be forthcoming promptly. The bills which died in the 77th Congress must be re-enacted and passed and regional boards or offices set up to transact the business quickly. Arbitration is one way of bringing about speedy settlements. I ask that you give this matter more than passing consideration. The war contracts of Great Britain, Australia and Canada with private industry in this country provide for arbitration proceedings under the supervision of the American Arbitration Association. I cannot think of any more worthwhile contribution which the groups present at this War Credit Congress can take than to determine a sound policy including arbitration and make your choice known to the Procurement Policy Division of the War Production Board.

Extra Vigilance Required

TO hear some business men talk, yes, even credit executives, you would believe that there were no credit problems which affect us today. It is a sound policy to keep your credit files alive and up-to-date. Just because the X Corporation has only war contracts and is paying according to terms for the present, you

(Continued on Page 13)

Handling Material and Subcontractor Claims Under Cancelled Government Contracts

A Prime Contractor Gives His Ideas

C Due to lack of uniformity in cancellation clauses in Government Contracts, the procedures suggested below are based on the cancellation clause in Supply Contract Form No. 1 (Revised) although I believe you will find they have rather broad application. Also, rather than attempt to discuss the question of Government Contract cancellations in a more or less general way, my comments pertain particularly to the procedures which a prime contractor should follow in handling disposition of materials, and subcontractors claims, as required by the Government and in order to insure some reasonable protection on such items.

The first step in connection with a cancellation should be taken long before a cancellation occurs. I refer to the cancellation clause which should be included in purchase orders placed under the prime contract. Attached (Exhibit A) is a suggested cancellation clause to be included in all purchase orders issued for war work regardless of whether the prime contract contains a cancellation clause or not, and which represents an intent to define the rights of the parties on some reasonable basis in the event of cancellation.

Must Relay Cancellation

THE second step is the proper handling of the cancellation notice sent to the prime contractor by the Government. Upon receipt of the written cancellation notice, the prime contractor should immediately stop all work and notify subcontractors and suppliers by telegram, confirmed by registered mail, to do likewise, sending them exact copies of the cancellation notice received. Attached (Exhibit B) is a suggested form of cancellation letter to be sent out by the prime contractor.

If the above two steps have been carefully followed, the prime contractor is in a position to proceed with

By **JOHN T. STUBBS**
Attorney & Credit Manager of the
Harris - Seybold - Potter Company,
Cleveland, Ohio

some confidence and with reasonable protection in the disposition of materials and subcontractors and suppliers cancellation claims.

Steps To Be Taken

SHORTLY after cancellation of a prime contract, the prime contractor will probably receive from the Government a letter of instructions outlining procedures in connection with disposition of materials and subcontractors and suppliers claims. Attached (Exhibit C) is a typical letter of instructions. While such letters should be studied carefully and exact copies should be sent to all subcontractors and suppliers for guidance, it is advisable to use some such form as the attached (Exhibit D) to expedite the securing of necessary information and to avoid supplementary correspondence.

From the prime contractors standpoint the following steps should be taken by the prime contractor in handling disposition of materials and subcontractors and suppliers claims:

I. Disposition of materials

- A. Immediately upon receipt of cancellation notice, segregate all materials, small tools, jigs, fixtures, etc., purchased for the prime contract and located in prime contractors inventory. Place under lock and key, if necessary, to prevent inadvertent or deliberate use by the factory on other contracts.
- B. Check over such items carefully with the purchasing department and factory and ask permission from the Government to use any items which can be applied to other contracts with as high or higher ratings.
- C. Take a detailed inventory of all materials, small tools,

CANCELLATION CLAUSE

Exhibit A

(1) We reserve the right to cancel this purchase order, or any part thereof, if shipments are not made according to deliveries specified, or not in accordance with specifications, drawings, samples or other description furnished to you therefor, or are defective in workmanship or quality.

(2) In the event that the contract or order between us and the Government or the contractor or subcontractor under Government contract for the furnishing of articles covered hereby or products incorporating such articles is cancelled, this purchase order may also be cancelled by written notice to that effect to you, in which case, unless the notice otherwise directs, you shall discontinue all work hereunder, cancel all orders and subcontracts for materials chargeable to this purchase order, transfer to us, as we may direct, title to all completed articles not previously delivered and all partially completed articles, work in process, materials, plans, drawings and information acquired or produced by you for the performance hereof, and take such action as may be necessary to secure to us the benefits of any rights remaining in you as Seller under orders or subcontracts chargeable to this purchase order to the extent so chargeable; and we shall pay to you (in addition to the sums payable for articles completed and shipped prior to such cancellation) in full settlement, a sum equal to the net costs and expenses incurred by you in good faith prior to your receipt of the cancellation notice in connection with the complete or partial manufacture of and the procuring of materials for the articles with respect to which the cancellation is to be effective, including the reasonable expense of canceling firm commitments for materials necessary in the production of such articles. We shall also pay to you such amount, if any, as may be allowed therefor by the Contracting Officer of the Government as a profit to you in respect to the work performed on the uncompleted part of this purchase order. In no event, however, shall the aggregate payments to you under this purchase order exceed the total price specified herein.

jigs, fixtures, etc., located at prime contractors plant, and submit it to the Government for disposition through other Government Agencies or Integration Committees. This report should show the type of materials, its location and condition, price or cost, etc., and the items should be logically grouped to show totals for raw material, work-in-process, tools, etc.

D. A separate but similar inventory report should be submitted on subcontractors and suppliers inventories at such time as complete factual information has been secured.

E. Disposition of materials may be made in the following various ways:

1. Sale to other manufacturers

(a) Such manufacturers are apt to clear purchase orders in line with their regular routine and make them subject to conditions which the prime contractor is unable to accept. Remember that the Government under the cancellation clause has title to all materials, small tools, jigs, fixtures, etc., and that the prime contractor is simply acting as a clearing house in assisting the Government to dispose of such items.

2. Use by the prime contractor on other contracts with as high or higher ratings.

3. Scrapping of such items as dies, castings, and tools, jigs, and fixtures manufactured under the prime contract.

(a) In the event of any scrapping of materials by either the prime contractor or subcontractors and suppliers, there must be a credit for scrap allowance to transfer title back to the prime

Exhibit B

(Proposed letter of notification covering cancellation to be sent to subcontractors and suppliers.)

Re: Purchase Order No.

Gentlemen:

In line with wire cancellation notice previously sent you, confirmation copy of which is enclosed, we are enclosing photostatic copies of the cancellation letter received from the Contracting Officer on War Department Contract No., and the termination clause in said contract applicable to such cancellation.

Such reasonable cancellation charges as are approved for such purpose by the United States Government under the provisions of the prime contract are subject to reimbursement.

For inclusion in our accounting on the total contract, it is requested that you prepare as soon as possible, in quadruplicate, a certified accounting statement of all applicable costs under the above purchase orders, for which payment has not previously been made. Please forward the same to this office promptly and preserve all your books and records relating to the subject contract for any necessary audits. If you have no cancellation charges, please advise us accordingly so as to complete our records.

Yours very truly,

Exhibit C

(Letter of instructions covering Procedure to be followed by prime contractors and subcontractors as to disposition of materials and presentation of claims.)

Gentlemen:

By cancellation letter dated, this Office informed you that conditions had arisen which required the termination of the subject contract, in accordance with Article 13 thereof, entitled "Termination for Convenience of the Government." Pursuant to Article 13 of such contract, adjustment for the damages occasioned by such termination shall be made.

To facilitate the payment of claims and the disposition of materials, it is requested that you follow the procedure set forth below:

Forward to this office copies of cancellation letters to your material suppliers and copies of letters to subcontractors instructing them to cancel all orders for undelivered material ordered for use on the contract.

Delivery to the Government of partly completed supplies, work in process, tools, materials and fabricated parts, as required by the contract and the cancellation letter shall not be made immediately.

You and your subcontractors must immediately prepare detailed lists of all raw material, material in process, fabricated parts, patterns, jigs and fixtures, special tools, machine tools, etc., obtained for use on the cancelled contract, stating the exact quantities involved, the specifications for same, the exact footage or poundage on hand and the value thereof, so that this office can determine the specific items requiring disposition. If any such items were in process, the per cent of completion shall be stated. The location of each item must be specified and complete information regarding possible return, use, or other disposition, including scrap or salvage value of any items must be stated, but no item shall be moved, used, or further processed until authorization for such act is received from this office. All lists must be certified to cover all such items obtained by use of the priority granted on said contract.

You are requested to take immediate steps to prepare and have prepared the material lists requested so that such material can immediately be put to other use when possible in furtherance of the war effort. Such lists shall be sent to this office in triplicate. Subcontractors shall also send a certified copy of such lists to you, as the prime contractor.

Claims should be presented as promptly as practical after disposition of material has been determined by this office and should be signed by an authorized official of the claimant as being applicable costs and expenses chargeable to the cancelled contract.

All claims should be presented in detailed and itemized form, and no claim shall be presented for commitments made or charges incurred after the date of notice to subcontractors of termination or modification, or such a claim is made, it should be so designated and be supported by an explanation thereof.

All claims must be supported by purchase orders, time cards, invoices, payrolls, certified statements by officials of claimant, or other evidence so that the claim can be substantiated by this office. The Government may audit the claims so that all records relating to the claims must be preserved.

All settlements made by you with your subcontractors shall be subject to the approval of the Contracting Officer.

Any claim for expense for building alteration must be clearly supported by an explanation of the necessity for same, together with a statement regarding future use of such improvement and the value thereof to your company.

All claims should include a statement as to the percentage of items completed under the contract on which the claim is made and the average percentage completion of the work in process.

All instructions given herein apply to your subcontractors and vendors as well as to yourselves.

Very sincerely,

Exhibit D

TO: John Jones Company
Cleveland, Ohio

SUBJECT: WAR DEPARTMENT CONTRACT NO.....

Class No. 1

—No orders were placed by us under the purchase orders received from John Jones Company.

Class No. 2

—Immediately upon receiving John Jones Company wire and cancellation notice dated, covering the following purchase orders placed with us,

we cancelled all orders placed by us under such purchase orders and are holding our cancellation notices in file for inspection.

Subdivision (a)

—We received no materials under such cancelled orders nor do we have any inventory of raw materials, materials in process, completed parts, patterns, tools, dies and fixtures to report as purchased by us under the above contract.

Subdivision (b)

—All materials received by us under the above contract have been incorporated into completed parts or parts in process and have been billed to John Jones Company. We have no remaining inventory of raw materials, materials in process, completed parts, patterns, tools, dies and fixtures to report as purchased by us under the above contract.

Subdivision (c)

—All raw materials, materials in process, completed parts, patterns, tools, dies and fixtures, received by us under the above contract, and located in our inventory on (date of cancellation), are being held by us for disposition through the Ordnance District and—

—Have been reported to John Jones Company.

—Will be reported to John Jones Company as promptly as possible on a certified inventory list as required by the attached Ordnance District letter of instructions.

Company

By

Title

NOTE: Please check appropriate class and subdivision describing the status of your Company under the above cancelled contract.

Exhibit E

(Proposed letter requesting approval of subcontractors and suppliers cancellation claims.)

Gentlemen:

In line with our discussion with you, we are attaching to this letter the following subcontractor's and suppliers cancellation claims which in our opinion should be ready for payment under the above mentioned cancelled contract.

SUBCONTRACTOR	GROSS CANCEL-	TOTAL CREDIT	NET CANCEL-
OR SUPPLIER	LATION CLAIM	FOR SALVAGE	LATION CLAIM

Although we have not made a complete audit of these claims, the engineers in our War Work Department and Production Department have checked the claims in relation to the amount of order, length of time order was outstanding, personal knowledge of each company's activities on each cancelled order, and they have been reviewed by our Accounting Department. Based on such analysis we feel that the above claims are reasonable, are applicable to Contract No. and, as a means of practical clearance can be approved for payment.

We would appreciate your prompt clearance and approval of these claims for payment by us with the understanding that they will be included in our final cancellation claim in the amounts as approved by you.

Very truly yours,

Exhibits F

RELEASE ON CONTRACT NUMBER

To: John Jones Company
Cleveland, Ohio

We hereby certify that the amount of \$....., as submitted in the following billing:

represents our complete cancellation charges applicable to Contract No. and that such charges are fair and equitable. Upon our receiving payment from John Jones Company for the above amount we agree to release the United States Government and John Jones Company from any and all claims for cancellation or other charges under the above Contract No.

(Name of Company)

By

Date

contractor or subcontractors and suppliers, as the case may be.

4. As determined by the Government, certain items may be turned over to the Government and placed in storage.

F. The prime contractor is entitled to and should arrange with the Government for the application of a 10% handling charge as compensation for assisting the Government in disposing of materials.

G. All Government approvals as to disposition of materials should be confirmed in writing by the Government.

H. Even though the prime contractor is notified in writing by subcontractors or suppliers that no claim for cancellation charges will be submitted, it is necessary to determine what materials subcontractors and suppliers have on hand which were purchased under the prime contract.

(a) It is suggested that the prime contractor clear such items as rapidly as possible by analyzing each purchase order and by having the Government indicate that no further followings is necessary.

II. Subcontractors and Suppliers Claims for Cancellation Charges

A. List all purchase orders placed under prime contract.

B. Obtain from all subcontractors and suppliers on uncompleted orders a formal cancellation claim or a letter stating that purchase orders have been cancelled without any cancellation charges, and keep a record of exact status of purchase orders as such information is received.

C. See to it that subcontractors and suppliers invoices are properly certified and that claims are broken down sufficiently to show what they represent.

(Continued on Page 22)

The Psychology of Credit Letters

Abuse of Net Terms

By HELEN M. SOMMERS

Credit Manager, Trojan Hosiery Mills, Indianapolis

ON Net terms, which provide for no cash discount whatsoever, come in for their share of violations, too. Merchants are accustomed to discount terms on other lines of merchandise which they carry, and, if they are in the habit of abusing those terms, they will deduct discount when paying a net invoice at maturity. Naturally in such cases, the same appeals can be made to violators of net terms as to other classes of discount violators, with necessary variations to fit the difference in circumstances.

Another problem may raise, however. Your customer may pay you in ten days, take a cash discount, and answer your protest with a terse, "My other sources of supply allow it." Then your problem becomes more difficult.

Net terms usually have to be explained to the customer. Invariably he will conclude that he is being cheated of something to which he is justly entitled, unless you convince him that your prices were figured on costs that made no provisions whatsoever for the deduction of discount. If you can offer him the alternative of "anticipation" discount at current interest rates, your argument becomes more convincing.

Explaining Net Terms

You see, we haven't figured any discount into our costs. Our prices are true net prices. Allowing a discount would mean a loss to us, which we are sure you would not ask us to bear.

* * *

Our prices are net, based on actual costs, plus only a fair margin of profit such as you expect from your own business efforts.

* * *

Our prices are based on costs that make no provisions for cash discounts. We quote a straight net price, and, of course, cannot afford to allow further reductions.

* * *

We follow the modern practice of figuring prices on a net basis. Since we make no provisions in our costs for a cash discount, we, of course, cannot allow it.

* * *

We trim our prices to the lowest possible figure before issuing our price bulletins. Naturally we cannot reduce them further by allowing discounts.

* * *

Our prices are already discounted when we quote

them to you. They are true net prices without any confusing inducements. They are based on bare costs plus only the fair margin of profit that you and we both expect from our business efforts.

* * *

Although we make no provisions in our costs for discounts such as may be offered to you by some of your other sources of supply, we will be glad to pay you interest (anticipation discount) at 6 per cent a year for the number of days you pay us before charges are due.

* * *

I know you wouldn't ask us to sell our goods to you without profit. Yet 2 per cent of our sales volume is more than the net profit we make.

* * *

Missionary Work

ARE your terms already net? Or do you wish to convert from discount to net terms? If so, you will have to sell those terms to the customer.

Usually those houses who offer net terms, not subject to any cash discount, do allow "anticipation discount" which is nothing more nor less than interest at prevailing rates, or slightly above, calculated on the number of days charges are paid before they are due.

If your house is one that uses this policy, or if you are about to convert from cash discount terms to the arrangement suggested, you have an opportunity to do missionary work in educating the merchant to the satisfactions of doing business on simple net terms, with interest deductible for prepayments, and even to the fairness of assessing interest for late payments.

Paragraphs Selling Net Terms

Cash discounts originated back in the days when credit risks were greater and sellers felt the need of offering attractive inducements for prompt payment. Nowadays, credits are checked on a more exact basis and sound credit risks don't need attractive inducements for prompt payment.

* * *

We quote you straight net prices based on costs plus only the fair margin of profit you and we both expect from our business efforts. If you pay us before due date, you may deduct interest at the rate of 6 per cent per annum, which is, of course, a little better than your money would earn in the average conservative investment. That's fair enough, isn't it?

We feel that our customers would prefer to do business on the more modern and progressive basis, on which straight net prices are quoted, based on costs that make no provisions for cash discount, and subject only to the deduction of discount at current interest rates for prepayments.

* * *

Mechants and manufacturers alike are coming more and more to look upon the institution of cash discount as a confusing and cumbersome hangover from a past age of business.

* * *

Net prices are the modern way.

* * *

We quote you a straight net price, subject to anticipation discount at the interest rate of 3 per cent per annum for the number of days you pay us before the invoice is due. In other words, you earn the interest that we would have to pay if we went out and borrowed the money. That's fair, isn't it?

* * *

You are a business man yourself, and you know that nobody in business gets something for nothing. If you are quoted a cash discount of 1 per cent for payment in ten days, that exceeds ordinary interest rates and must therefore be figured into the selling price. The seller is entitled to his fair margin of profit, and he has to make provisions in his costs for any discount he offers you, or he could not wind up his year's business in the black, any more than you could if you were suddenly to offer all your own customers a liberal discount from your present net retail prices.

* * *

A Courteous Explanation

A COURTEOUS letter refusing to allow discount, with a frank explanation that it is unprofitable, and closing with a note of graciousness that arouses pride.

Dear Sir:

Sorry, but you didn't get your check in to us before the expiration of the discount period.

We can afford to pay you this premium if you pay us in ten days, and we are glad to do it, but it is unprofitable for us to allow it when your remittance reaches us so late.

You are always quick to give us your cooperation on every reasonable point, and we are sure you will see our side of this particular question.

May we have another check for the enclosed charge-back invoice?

Your very truly,

To a Net-terms Discounter

THIS letter, addressed to the debtor who took discount from an invoice billed on strictly net terms, appeals to fairness, and ends with a courteous expression of confidence in his willingness to cooperate.

Dear Mr. Blank:

You take a mark-up that covers your operating expenses plus a small margin, and hope for fair year-end profits. So do we. They are small at best, aren't they? We can't blame you for watching all the corners. We do the same.

Retail Collections

In the next two chapters Miss Sommers will take up the problems of retail collection letters.

These chapters will be of special interest to manufacturers and wholesalers who have a service department for their retail outlets. Credit executives of such companies are often asked—"How

can we collect our accounts more promptly?"

You will find Miss Sommers' next two chapters helpful in answering such questions.

But neither of us wants to be unfair. You see we quoted you net prices based on costs that made no provisions for any cash discount. The price was, in effect, already discounted when we billed you, so, of course, we couldn't allow a further reduction.

Probably without realizing that it would penalize us, you deducted discount from your remittance. We must accordingly return your check for the correction which we are sure you will be glad to make.

A return envelope is enclosed for your convenience.
Your very truly,

Necessary to Explain

A LETTER that emphasizes the unfairness of a discount deduction by a pointed illustration.

The third paragraph removes any unpleasant edge the letter might otherwise have, saves pride, and strikes a friendly note.

Dear Mr. Blank:

Suppose you were to go to the bank and deposit \$100 in a savings account and say to the teller, "I wanted to put this in the account last month, but it wasn't convenient. Will you date the deposit back to last month, so I can earn that interest?" Ridiculous? Certainly?

But stop to think a minute. If you send us a check in ten days from date of invoice, we allow you 1 per cent discount for the use of your money. Now if you wait forty-five days to send us your check, and still take the 1 per cent discount, you are asking us to pay you interest on that money for the forty-five days we didn't have it!

I'm sure you hadn't looked at the situation in that light before, but it is true, isn't it?

We are crediting your remittance, but, of course, we have to charge back the discount. Will you please send us another check for the enclosed invoice?

Your very truly,

Finance and Credit Risks on War Contracts

How Miller Act Bonds Aid Credit Executives

By W. A. LAWRENCE
Credit Manager, Electric Machinery
Mfg. Co., Minneapolis, Minn.

Since 1894 it has been the uniform practice of the Government to require contractors to furnish bonds for the protection of the Government and the subcontractors and materialmen. In 1939 this requirement was waived on certain contracts and by May 1941 the various procurement officers were authorized to waive the bond requirement on practically all types of contract. As a result, during the past two years, practically all war contracts have been executed without the bond requirement, leaving the subcontractors and materialmen without the protection usually afforded on Government contracts.

The purpose of this bond waiver was primarily to get war contracts under way quickly and avoid any delay that might be caused by the bond requirement. However, as a result, the responsibility and risks heretofore undertaken by the bonding companies have been shifted to the procurement officers and the subcontractors and materialmen. With regard to the procurement officers, this may well be the underlying cause for the warding of such a high percentage of war contracts to a comparatively small group of large contractors. As to the subcontractors and materialmen, they must now rely upon the financial responsibility and performance record and ability of the prime contractor and subcontractors, and must make their own independent investigations.

Bonds As a Credit Aid

AS to the bonding companies, it is generally agreed that they have the capacity and ability to undertake the risk of guaranteeing performance and payment on war contracts, and that their knowledge and experience and records accumulated over many years enable them to make investigations quickly and efficiently and to minimize losses by taking prompt action to assist contractors, wherever necessary, with financial and engi-

neering services. Many authorities consider that the loss of bond protection to the Government and to the subcontractors and materialmen is unnecessary, and that its advantages can be had without impeding the war effort, therefore a determined effort is being made to have it restored to war contracts generally.

Without the customary bond protection, suppliers have been forced to rely on the financial condition of the contractors at a time when the contractors' finances are being strained, and in some cases unbalanced, by the heavy volume of war contracts involving commitments greatly in excess of any previously undertaken. In view of the urgent necessity, on the part of the Army and Navy and other Government agencies, of distributing contracts to all contractors, regardless of size, who could give reasonable assurance of having the facilities and ability necessary to handle the manufacture of procurement and assembly of the required equipment and supplies, and having arranged for the waiver of bonds, it was logical and necessary for these Government agencies to undertake responsibility for financing such contractors wherever necessary and desirable.

Methods of Financing

THIS was accomplished by making advance payments available to prime contractors, and Government guaranty of bank loans to both prime contractors and subcontractors. These special wartime methods of financing enable war contractors to handle their purchases on a cash basis, wherever their net worth and financial condition obviously does not warrant the undertaking of abnormally large commitments by their suppliers. All the risks and uncertainties involved in financing war contractors who under-

take an excessively large volume of contracts in relation to their net worth are thus logically borne by the banks, who are protected by proper security in the form of assignment of Government contracts or pledged assets or otherwise, and by the Government.

Where substantial bank loans are already outstanding and the suppliers were to undertake these risks without adequate protection, then in the event of cancellation by the Government and the probable consequent freezing of contractors receivables and inventories, or in the event of any other unfavorable contingency, the Government would have prior claim, for settlement of unpaid taxes or renegotiation refunds or other claims, on any amounts due the contractor, with the banks claiming any remaining balances under the assignments they hold as security for their loans. With the Government and the banks holding prior claims that must first be satisfied, is there any reasonable degree of assurance that funds would be available to pay the suppliers?

Material Men Second "Stringers"

DURING the crucial period following contract cancellation, the contractor is faced with maturing bank loans, with the insistence of the banks that payments released on his Government contracts be applied to reduce the bank loans, and the accumulation of possibly ruinous interest charges on the bank loans before settlement is received on his Government contracts. Even then, and aside from interest charges, he may be unable to pay off his obligations, due to the difficulty of liquidating heavy inventories of war materials unsuited for the requirements of normal trade. All this at a time when he is in urgent need of funds to meet the payrolls and purchase the materials necessary for prompt reconversion to his normal trade.

The contractor's best protection is in the government guaranteed "V" loans under which, in the event of

cancellation of more than 25% of his war contracts, the maturity of a proportionate amount of his loan is extended until such time as full settlement is received on these contracts, during which time no interest charges on such amount accrue against him and he is fully relieved of the obligation of making any payments on that portion of the loan.

The simple fact that many contractors have expanded their facilities and organizations far beyond their peacetime needs, and that many others have formed new business enterprises on the strength of war contracts, point to the inevitability of heavy business casualties and consequent large credit losses after the war. Without implying that past experience will necessarily be repeated, credit losses increased rapidly after the last war until by 1921 they were eight times as heavy as in 1919.

The After-Glow of Prosperity

WHEN the present period of artificial prosperity, with its sudden expansions stimulated by the urgency of wartime production, with contracts to be had almost for the asking, and profits accruing almost automatically, is over and business once again must face the stern realities of peacetime competition, who among the contractors are going to be the casualties? It will be those who had failed to build up a balanced financial position before the war or to maintain it during the war, by holding current obligations within the limits of cash and liquid receivables and net worth, by prudent extension of credit, by vigilant handling of collections, by prompt payment of obligations, by conservative investments in inventories and fixed assets, by retention of earnings to provide adequate working capital, by careful budgeting of overhead expenses and by all the other policies and practices characteristic of good management that go to build up well balanced, profitable business organizations, whether large or small.

When Bond Would Help

AND who among the suppliers will be the victims of the inevitable heavy credit losses? It will be those who have extended credits to war contractors without having complete information regarding the contractor's financial responsibility, or with-

out regard to his net worth, or the extent of his current obligations in relation to his liquid assets or in relation to his net worth, or the extent to which his capital is tied up in inventories and buildings and equipment, or the extent to which his business is being operated on borrowed capital, or how promptly he pays his bills, or without insisting upon terms of payment that provide adequate protection where such protection is needed, or without realizing that, in the event of contract cancellation or other unfavorable contingency, the Government and the banks have priority over them with respect to the contractor's available funds and liquid assets.

To put the case briefly, it is of vital importance, for manufacturers

and others selling to war contractors, to realize that many war contractors are unfortunately not in position to withstand the financial strain of cancelled war contracts or a protracted period of unfavorable economic conditions, and the probability is that a large number of them will survive with great difficulty, if at all, and that their creditors will suffer substantial losses. This prediction is made, not because of any lack of confidence in the future of American business, but because wartime conditions inevitably attract new enterprises for a limited period of time, and because easy wartime prosperity encourages careless management, with the certain aftermath of heavy business casualties as the price of lack of prudence and foresight.

An Appraisal of Post-War Credits

(Continued from Page 6)

cannot relax your vigilance of every account on your ledger today that is principally engaged in filling war contracts, you need to know the type of contract, the method of financing and many other angles. The Washington Service Bureau can give you this data. You certainly need regular interchange reports to show you when the trend of things have changed. The credit executive who keeps complete credit records now will reap large dividends later by knowing when to step out and press for collection and not be too late to salvage his account.

Our hope of restoring a world equilibrium in the post war period and providing employment for both war workers and returning members of the armed forces will be dependent very largely on how we do business with other countries. If our people are to be gainfully employed and our plants kept busy, we had better make up our minds now that business is going to be transacted on a world wide basis. Transportation facilities will make distance an unimportant consideration in the post war period. Whether we have an international currency system or some other plan is immaterial at the moment. We credit executives need to study foreign trade now and we should get the "feel" and technique of doing business with other coun-

tries. This is a "must" on your reading and study program.

A Challenge to All of Us

ALL of this, my friends, sums up to one thing, a challenge to every business executive, to every politician, and to every labor leader. It is also a challenge to we of the credit profession for we, too, have a very definite part in the scheme of things that lie ahead. When this war is over, and we hope and pray it will be soon, you and I are going to join a new army, an army where the sales executive, the production manager, the credit executive, and the research engineer must walk shoulder to shoulder in a united effort to put this old world in order again. We must begin preparing ourselves for this tremendous task today, not tomorrow, and we must do it with a dogged determination that is typical of us as Americans, and make a sacred pledge to ourselves that we will not fail in our responsibility to the credit profession, our responsibility to our individual companies, and above all, our responsibility to our country.

Credit Manual
of
Commercial Laws
Out Soon

Good Will in War Time

A Valuable Asset to be Protected

CF When I was first asked to discuss the subject of "Good Will" I had no hesitancy in accepting the assignment for the very good reason I have felt for some time that Good Will has been receiving quite a "pummeling" since our country has been at war. I felt that this would be a comparatively easy subject, but the more I worked on the subject, the harder it seemed to become.

I searched through a number of magazines of current issue to see what other people were thinking on this subject and to see if my thought that Good Will was being considerably abused was shared by others. I found several articles in trade magazines bearing upon this subject.

With all of the reading material and other notes which I had gathered on the subject, and wishing to bring my thoughts into some concrete form, I landed one night in the course of my travels in the Frances Hotel at Monroe, Louisiana.

Blames Louisiana Coffee

IT must have been the fact that I had imbibed some strong Louisiana coffee as I tossed and tumbled for quite some time but finally dropped off to sleep. When I did fall asleep I had a dream. Some say that dreams happen in the twinkling of an eye, but it seems this one lasted for quite some time and before I have finished you may think it was a nightmare. I only hope that I can present to you this dream as vividly as it appeared to me.

I dreamed that a Western Union boy knocked on my door and delivered to me this telegram:

"THE OFFICE OF BUSINESS REGULATION IS TO HOLD HEARINGS ON ITS ORDER TO REGULATE GOODWILL AMONG BUSINESS FIRMS MAY 5 IN GOVERNMENT BUILDING NO. 1000 ROOM 10000 WASHINGTON D.C. WILL

By G. E. WILSON,
Sec'y-Treas. Ritchie Grocer Company,
El Dorado, Ark.

YOU PLEASE BE ON HAND TO REPRESENT BUSINESS AT THAT MEETING? IN ORDER TO SHOW OUR GOOD INTENTIONS PLEASE BE PREPARED TO SUGGEST AN ORDER AS SUBSTITUTE FOR THE ORDER OF O.B.R. (SIGNED)

BLANCHE M. SCANLON,
CHAIRMAN

I dreamed then that I found myself in Washington and I was conducted to one of the hearing rooms in a large, gray building. In this room was a long table and at the head of the table were seated three men. Around the table and in other parts of the room were men who seemed to represent industry. The man at the head of the table arose and introduced himself as Mr. D. I. Rector (Director); the man at his right he introduced as Mr. E. Con O'Mist (Economist); and the man at his left was introduced as Mr. A. T. Torney (Attorney); the other men in the room were not introduced personally but merely as representatives of industry who had come to attend the hearing.

Office of Business Regulation

MR. RECTOR, after making the introductions, made a statement to those assembled about as follows:

"The gentlemen we have just introduced to you business men are representatives of the Office of Business Regulation, a division which has been created for the purpose of regulating the business of the country. We find that other agencies have pretty well regulated every phase of your business as to prices, policies, etc., and it seemed for a while that this office would probably have no work to do, so we sent into the field

a number of investigators and from their report we find that the part of your business known as 'Good Will' needs regulating. This is due to the fact that in war time Good Will builders are being diverted, and when money is plentiful and merchandise is scarce, many businesses do not give any attention to building up their Good Will, so we have decided that Good Will should be dispensed with during war times by all businesses in order that when the war is over no business will have advantage of the others.

"Our investigators report to us that the employees of many businesses are not courteous and are not accommodating. They also report that management is not attentive to its customers. They report that credit men have taken a very independent attitude and that all in all some firms have excluded from their business every principle that it takes to build Good Will. We, therefore, have promulgated an order to govern Good Will in war times and I should like now to read you this order."

To Govern Good-Will

MR. RECTOR proceeded to read the order which was as follows:
TITLE: This order shall be known as the "Good Will Order."

DEFINITION: For the purpose of this order "Good Will" shall be defined as "An Intangible Something."

EFFECTIVE DATE: To be announced after hearings are completed and authority granted by the Administrator.

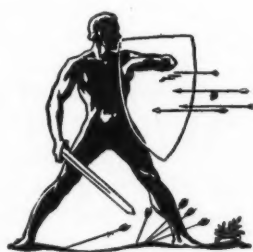
WHO AFFECTED: Every business in the U.S.A., regardless of size.

PURPOSE: To dispense with the use of all methods, either by word or act which will assist any business in gaining trade or building favor with the trade. This to be accomplished partly by the follow-

INVESTIGATION ALONE IS NOT ENOUGH...

Investigations, though complete and apparently satisfactory, afford no conclusive and final measure of protection.

Corporate sureties annually incur millions of dollars in losses caused by defaults in performance of contracts, non-payment of labor and material bills, fraud, dishonesty, theft ...notwithstanding exhaustive investigations by underwriters.



INVISIBLE ARMOR

NATIONAL SURETY bonds and service are preferred by many. They are available everywhere through reliable and experienced agents and brokers.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, *President*

4 Albany Street, New York

ing methods, and any other methods which might be considered advisable and added as amendments to this order, to wit:—

I. MANAGEMENT:

The management shall assume an independent attitude and such example by the management shall be conveyed to the whole organization.

II. CREDIT DEPARTMENT:

(A) This department shall reject all new account applications without any investigation and shall inform the applicant in no uncertain terms that no new business is needed and furthermore no time is to be wasted on such applications.

(B) All customers shall be informed, regardless of circumstances, their accounts are to be paid on or before due date, or else you will sell their merchandise to someone else.

(C) All letters written by this department shall be curt, short, and precise in explaining what is expected. To further this section of the regulation the O.B.R. is *authorized to censor all such letters.*

III. BUYER:

Purchasing department head shall be instructed to practice now so he will *develop a long memory* and never forget that his present suppliers seemed not to give his firm as much merchandise as he expected. He shall be instructed to protest now *loud and long* until he gets relief, and bawl out the salesman who calls on him.

IV. SALESMEN:

Your sales force shall neglect as many small customers as possible so your delivery service can be maintained for your more favored customers. Salesmen shall be very haughty and unaccommodating as they can sell their wares at will to others if the customer does not like his attitude. He shall refuse to sell certain products unless others which you make *more profit on are sold also.*

V. GENERAL EMPLOYEES:

Their general attitude shall be of a very independent nature. They shall abolish from their vocabulary such good will building words and phrases as: "I'm sorry we are out. May I call you when our supply arrives?"; "Thank you"; "We regret the delay"; "Come in again please"; "Your business is appreciated even though we seem unable to supply your full demands."

Instead of the above words and

phrases, they shall cultivate the habit of saying in person or over telephone: "Well, if you think you can get it somewhere else quicker, go to it"; "Can't get to your repairs for six weeks. Too much to do now"; "Say have you been asleep?."

No training program shall be instituted to teach new employees the "Good Will" building methods used by your business in former years and no such program shall be used for post-war development.

VI. PRODUCTS:

Every bit of quality and quantity possible shall be cut from your product. The public will buy it anyway as they must have something to spend money for. For example—

If it's coffee—stretch it

If it's candy—reduce the sugar content

If it's a cheese sandwich, sharpen your thin knife

Cut every corner possible. If your present distributors don't like your methods of allocations, don't bother to explain, just tell them you will let some other firm have his allotment.

VII. PENALTY

Any person, firm, corporation, co-partnership or business interest of whatsoever nature found guilty of violation of this order shall be fined not less than \$1,000,000 or sentenced to prison for the term of not more than 100 years whichever is the greatest or worst for him.

VIII. ALTERNATE

The alternate to accepting the proposals set out in sections I through VI shall be a choice of one of the following:

(a) Rationing of Good Will—with proper point system

(b) Priorities

(c) Limitation of use as of a given but undetermined date

(d) Anti-hoarding order

(e) Substitution of an order promulgated by business interests.

Asked for Time to Think

AFTER this order was read, naturally the men who had come from all parts of the country to represent business at this hearing were absolutely dumbfounded. We asked Mr. Rector to give us a few minutes to collect our thoughts and to present to the Office of Business Regulation an alternate order as it seemed that this was the only thing that could be done under the circumstances.

After quite a discussion, I was nominated to represent the business interest and to present to the Office of Business Regulation our own order. We all reassembled in the room and I addressed my remarks to the representatives of the Office of Business Regulation about as follows:

"Mr. Rector: We have heard your drastic order covering the use of Good Will in business during war times and I should like now to present the thoughts of business on this subject and at the conclusion of my remarks I shall propose an order which we think would be a fair and equitable order under which business could operate.

"First, I should like to take up with you the definition which you have used in order just read—'Good Will as an Intangible Something'. In making a research on Good Will I found some definitions entirely different from the one which you have given. (1) I found in the accounting book—'Good Will represents that value to a business by which it is able to attract trade, keep it and increase it'; (2) Recent food magazine—'Good Will is the respect you earn and the respect you command'; (3) The dictionary—'The favor or advantage in the way of custom which a business has acquired beyond the mere value of what it sells'; (4) The Negro's definition as sung in a song which I heard in my childhood days—'If you lika me, lika I lika you'; (5) The greatest toast on Good Will—'Love to one, Friendship to a few and Good Will to all'; (6) Above all and summing up, the Great Book says—'Love Thy Neighbor as Thyself.'"

The Intangibles of Good Will

"WHILE Good Will may be intangible, Mr. Rector, to me it has some tangible aspects which are directly related to human senses. *Take the sense of sight:* The broad smile of welcome on the face of someone in a business certainly creates Good Will. *As to feeling:* Certainly the cordial grasp of the hand of welcome and the feeling of a sympathetic arm around one's shoulder in time of trouble will surely do Good Will no harm. *Sense of hearing:* The kindly spoken word of cheer either personally or over the telephone gives inspiration and creates confidence and thus helps build Good Will. I cannot say as to *Tasting and Smelling*

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(they are rather closely related) and hardly know how to describe them as regards to Good Will, but I do know where the Good Will element is lacking in a business firm, you could almost say that 'It stinks!'

You say the purpose of this order is to dispense with the use of all methods to build up Good Will. I say that it is wrong to destroy an asset of business which many firms have built up at the cost of millions of dollars over a period of as many as a hundred years. I remember seeing not so very long ago, a picture in a St. Louis department store office, in which thirty men were seated at a table and all of them represented firms over seventy-five years old. Businesses of this kind could not be built without Good Will and I say that war or no war, no business firm should be deprived of continuing its efforts to build Good Will.

Not All Arrogant

YOU say that management shall assume an independent attitude. I am sure that your investigators have come across some isolated cases of management assuming such an attitude. Some of them have even gone so far as to have crooked inspectors use their art in deceiving the Government on such important items as war munitions, but have you thought of the thousands upon thousands of firms which have turned out millions of dollars of munitions which were one hundred per cent perfect?

I know that your investigators have probably heard of one of the leaders of organized labor who has perhaps done more in the last few months to deprive union labor of Good Will than it will be able to build back in many, many years. The example of this one manager of labor, however, should not condemn all good and reliable labor leaders. The same is true of management of commercial firms. The rank and file have the interests of the people at heart and certainly they do not wish to be governed by your order to convey an independent attitude to their own business as most of them now are using their best efforts to build their businesses. I say this part of the order should be eliminated.

You have placed quite a drastic order on the Credit Department, in demanding they reject all new account applications. I am sure your investi-

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Mr. J. F. McFadden, President,
American Credit Indemnity Co. of New York,
First National Bank Building,
Baltimore, Maryland.

Dear Mr. McFadden:

Congratulations on the 50th Anniversary of American Credit Indemnity Company! Achievement of such a significant milestone must be a real pleasure to you and your fellow executives.

My own pleasure in extending these greetings is enhanced by the fact that your Golden Anniversary year is also the 25th anniversary of relations between our two companies . . . twenty-five consecutive years, may I add, of very pleasant relations.

Our accounts receivable have been insured by your Company since 1918, from the First World War, through the depression of '21, the boom of the latter twenties, the Great Depression of the thirties, and now during this chaotic war period. During those years, our accounts have been securely protected against severe credit losses by your policy.

May the future of your Company be as illustrious as the past though your accomplishments unlimited . . . may the next 50 years be a period of tremendous growth and achievement.

Sincerely,
McQuay-Norris Mfg. Co.

Arthur T. Drefs
Vice-President & Treasurer.



A.G. Drefs.
MTG



J. F. McFadden,
PRESIDENT
FIRST NATIONAL BANK BLDG.
Baltimore

"Guarantees Payment of Your Accounts Receivable"

gators found some independent and arrogant credit men as far as new accounts are concerned, but the only reason that most credit men cannot now open new accounts is because of the allotment of merchandise and I want here and now to say that the majority of credit men are always sympathetic to new accounts and if you will eliminate this part of your order I promise for the credit executives that if it is necessary to turn down new accounts it shall be done in a courteous and polite manner and no prospective new account will feel that he has been mistreated.

Much Need for Credit Judgment

IF your order under Credit Department (b) should prevail it would be just as well to suspend all work of this department. There is need for judgment in the Credit Department now just as there has been in former days. Merchants have misfortune and they need the advice and counsel of credit men just as much in war time, if not more, than they do in peaceful days. They have the question of contract settlement delay with the Government and with other large contractors; they have more infrequent calls by salesmen and their problems are multiplied because of the many requirements placed upon them, therefore, some of them will naturally be delayed in paying their accounts and it is here that the credit manager must be again a human being in order to serve the customers of his firm in the proper way.

In Section (c) Credit Department, you refer to the letters written by credit departments. Surely your investigators have found many letters going out from credit departments which could well be censored, but we do not believe this is any reason why all letters should be censored. I personally know of some letters which if they had been censored would never have left some business office. I want to give you an example. When I first commenced working for our company we had a very valuable customer whose account at times ran into figures of several thousand dollars. He was not the most prompt pay but usually kept his account in fair condition. At one time he became a little over-due and our Credit Department wrote him a letter which was short and to the point and contained a sentence something to this effect: "Why

don't you pay your account? Do you think we are the First National Bank?" This customer appeared at my window and asked for the amount of his account. He gave a check for the amount which he owed and shoved this letter through my window with this statement: "Tell whoever wrote that letter that it is a good way to collect money, but a d— poor way to sell merchandise!"

No Need for a Censor

I DON'T know whether your investigators ran across this letter or not, but I am sure similar letters have gone out from numerous credit departments. Still I say the Office of Business Regulation, Mr. Rector, should not censor all of these letters in order to see that they are all of this nature because letters from the Credit Department should be well thought out and courteous to the last degree. They are indeed Good Will builders and business claims the right to send out good collection letters.

You have placed a rather stringent regulation on the buyer. You want him to develop a long memory so that he will not trade with some of his suppliers after the war is over. I believe that we should all be thankful for short memories. You must remember a buyer in war time reverses his entire process of thinking. Where he has been accustomed to being given all the attention by salesmen, he now has the problem of seeking sources of supply and I believe that this regulation is too stringent upon him even though some of your investigators have probably reported to you that some buyers have become very impatient with their suppliers and they have actually castigated the salesmen in many instances, yet I am sure that if your investigators covered a wider field than they have probably covered, they will find the majority of buyers are tolerant and understanding. They realize that all business firms are in the same boat as far as supplies are concerned and I have noticed that some of them have quite a sense of humor. By the way, this sense of humor is something that we must all keep in the foreground these days. I venture to say that there are not many in this room who could tell how many soldiers we lost at Pearl Harbor, or how many battleships were sunk but nearly everyone will remember what the Chaplain said, which

was: "Praise the Lord, and pass the ammunition!" Don't be too hard on the buyer in this regulation as he is human too.

What of Our Salesmen

YOUR regulation, as I now see it, is a slap in the face to the thousands of men who have chosen this as their profession and have contributed in no small way to building American business to its present zenith. Your investigators probably found some instances where small customers have been neglected but by and large the business firms are thinking in terms of the small customers of today being the large merchants of tomorrow and I do not believe the instances which your investigators have quoted are fair examples of the attitude of our present-day salesmen. The salesmen themselves have been the primary factor in the system of giving a fair proportion of merchandise to their customers. They realize that only through fair distribution can their jobs be continued. You must realize that these thousands of salesmen have also had to change their method of thinking and they are to be given great credit for maintaining a real sales attitude in time of rationing and scarcity. Surely it would be unacceptable to all of the salesmen to accept the edict that they be haughty and unaccommodating as this would be repulsive to their very nature. You must also remember that these salesmen have their own personal problems. It might be that when your investigator heard a retort made by a salesman to a customer that he may have just received word that his son had been called to pay the supreme sacrifice on the battlefield. I know personally of several salesmen whose sons were the first to make this sacrifice and I am sure it would have been hard to be exactly pleasant under such circumstances.

He has many other troubles, mainly created by rationing and being a general information bureau for other government agencies. Where he has been accustomed to using his car, he has probably been forced to ride on a crowded bus or a train, and all of this has probably not been taken into consideration by the customers who made the complaint to your investigators. I am sure that if you will eliminate this regulation you will find that all salesmen will be fair and loyal and cheerful just as they have always been.

IF this section of your order should be enforced there would be placed on business a burden which it could probably never shake off because there would be ingrained in the character of all employees a thoughtless attitude with which no business could survive during war or after the war. Want to call your attention to the fact that the turn-over of employees in some businesses has been so fast that it has been impossible to train the employees in the art of being courteous and polite and some bad attitudes have cropped out in various places. Your investigators have probably found many instances of apparent discourtesy among clerks in retail stores and even in other places. He might have been standing in line at the grocery store when the clerk lost his temper and bawled out one of the store's good customers because she did not know what the point value of a can of pineapple happened to be, and I am pretty sure that he overheard a valuable customer of a certain drug store about which I know when she said that she had diverted over a hundred dollars of retail business from that store recently because of the discourteous treatment of an employee who refused her the privilege of carrying a soft drink bottle to her mother's sick room.

Not Good Will Builder

I BELIEVE that these are isolated instances and by and large these instances are caused by employees who have not been trained and who do not believe they will be employed for any length of time. I am sure they have no real interest in their work and no reason to help build Good Will for the firm by which they are employed. I believe, therefore, instead of using the regulation which you have set forth, it would be far better to recommend to business that training programs be instituted immediately to train all new employees, thus saving their business, their employees and their customers a great many headaches.

The section of the order, Mr. Rec- tor, which relates to products will certainly find a great deal of opposi- tion among business firms who ex- pect to keep up their quality and their quantity of their products during war times in order that when the war is over their products will have the same

(Continued on Page 22)

3 IMPORTANT SERVICES for Burroughs users

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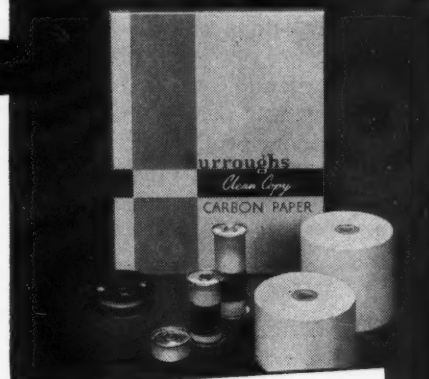
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Possible Substitute for Renegotiation

CFM While it is generally admitted that the basic aim of renegotiation is sound, it must also be admitted that it is a cumbersome procedure. Some business men feel that the renegotiation law has served its purpose as a temporary expedient but should be replaced by something which is more definite and which can be anticipated with a reasonable accuracy.

Without question, renegotiation under the existing statutes has introduced an element of great uncertainty into the financial status of corporations engaged in war production. Their financial statements, reports to stockholders and tax returns are necessarily tentative and subject to possible important changes. It has added heavily to the burden of corporation executives at a time when their efforts might well be directed to more productive phases of the war program.

Critics of the renegotiation law feel that, with a tax which takes 90 per cent of excess profits, the area for renegotiation is restricted to the remaining 10 per cent and that it should be possible to provide for an over-riding war profits tax to absorb any remaining profit which might be considered abnormal in comparison with pre-war profits after pre-war normal taxes.

Why Discriminate?

THESE discussions also indicate a trend toward the idea that such a tax should be designed to absorb abnormal profits of all companies and should not be limited to profits arising from direct or indirect war business. This is based on the assumption, probably sound, that all abnormal profits during the war period, regardless of how remote the operations may be from war production, are the indirect result of government spending and are eventually reflected in costs borne by the government.

It is true that government economists hold the view that to permit abnormal war profits and to rely up-

By **R. T. GRISWOLD,**
Special Writer

on high taxes to remove this abnormality is inflationary since it encourages high salaries, bonuses and all expenditures which may be taken as tax deductions. This might be true in ordinary circumstances but under the present limitations on many of these costs, the question of inflation may be more academic than actual.

Would Eliminate Indefiniteness

ALSO, we already have the 100 per cent tax—so it boils down merely to the method of its application. On the one hand we would have a definite pattern administered with an orderly procedure which seems reasonably acceptable for the 90 per cent rate, coupled with relief provisions to cover the deserving exceptions, and subsequent adjustment through the carry-back provision if the profit fails to stand up as realized.

This should be contrasted, on the other hand, with the existing procedure based on an indefinite pattern or formula requiring tremendous duplication of effort on the part of both the government and the taxpayer in which not the exceptions but all companies are treated as though no generally reasonable pattern for recouping excessive profits in the final 10 per cent area of profit can be developed.

A Pattern for an Over-riding War Tax

THE details as to rates and basis for such an over-riding war tax would, of course, depend on the underlying tax structure for normal and excess profits taxes, but the aim of the proponents of such a tax can be stated simply: It should reduce profits after taxes to an amount equal, let us say, to the present excess profits tax credit of a corporation less a pre-war normal tax there-

on. Therefore, an equitable excess profits credit based on pre-war earnings or on invested capital would become a basic factor. Relief provisions and carry-back and carry-forward provisions similar to those in the present law would, of course, be essential.

Under present tax rates, a formula calling for 40 per cent normal tax on the amount of the income equal to the excess profits credit, 90 per cent excess profits on the next increment of income equal to twice the excess profits credit, and 100 per cent on all over three times the excess profits credit, would permit the retention of income after taxes by the taxpayer equal to 80 per cent of the excess profits income credit, which is approximately the pre-war earning after the pre-war taxes. The 10 per cent post-war credit now applicable to the 90 per cent excess profits could also be extended to cover all or a portion of the 100 per cent war tax.

The foregoing is a very general idea of a possible substitute for renegotiation which I have heard discussed and which, of course, would require refinement to remove inequities. If we subscribe to the proposition that it is unfair to limit the profits of one corporation during war years that is active in war production and not limit the profits of another that is not engaged in the war program the idea may have merit.

CREDIT MANUAL

of

Commercial Laws

1944 Edition

Out Soon—

Wait for It

Some Side-Lights on Government Regulations Affecting Business

IN its last made rush to clean up the "docket" before taking a summer recess, Congress passed, as a rider on the many-billions-of-dollar War Appropriation bill, an amendment to the Renegotiation of Government Contracts Act, which was originally passed on April 28, 1942. The amendment brings contracts with the Defense Plant Corporation, Defense Plant Supply Corporation, Metals Reserve Corporation and the Rubber Reserve Corporation within the scope of the Renegotiation Act. It has been stated in Washington that this amendment, subject to the usual one year limit, brings all of the contracts of the four RFC corporations subject to Renegotiation.

This action by Congress brings up the question as to the future of Renegotiation. Does this action mean that Congress has decided to let Renegotiation stand "as is"? Or is this one of those cases where an amendment is slipped in when Congress is not looking and put through as a part of an extensive omnibus appropriation bill? The hearings before the special committee headed by Senator George seemed to indicate that some change in Renegotiation law might be expected. Perhaps when the Senators and Representatives return late in September from their summer sojourn with "the folks back home," they may present some fresh ideas on this important subject.

A Speed-up for Renegotiation

In the meantime a ray of hope for War Contractors is to be found in the manual of procedure which has been adopted by the five price adjustment boards so that War Contractors may submit their figures on a uniform basis. It is predicted in Washington that the use of this new form will screen out many contractors who might otherwise be kept dangling on the "anxious seat" until the Government auditors were able to get to their cases. A statement issued during July by the War Department shows that in the 13 months from April 28, 1942, (the date the Renegotiation Law was passed) until May 22, 1943, it had settled 1658



SWEAT . . .



BLOOD . . .



TEARS . .

must not be shed in vain

Wasted are sweat, blood and tears without the tangible products of industrial might. From production will come victory today . . . a more abundant life tomorrow. We in America have built the world's greatest industrial capacity . . . and we must guard it well. Insurance, in supplying this protection, is shielding America's most vital asset for peace or war.

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cases. With the adoption of the uniform accounting form, the War Department says, however, that during the four weeks closing on June 19 its Price Adjustment Board has reached a settlement with 713 contractors. This, the Department points out, is about 43 per cent of the total number of settlements for the entire 13 months up to May 22.

The new form which a War Contractor is asked to file consists of a questionnaire of four pages and in addition three copies of his annual report to stockholders for each fiscal year after Dec. 21, 1940, and one copy of detailed audit reports of his independent public accountant. Other information required to be submitted includes:

Three copies of its interim balance sheet as of the latest available date of the current fiscal year and three copies of the related statements of income and surplus to the same date.

A brief statement (in triplicate) of the nature of its pre-war business and the extent and approximate date of its conversion to the war effort; also a brief description of its principal peacetime and war products.

A statement (in triplicate) showing names and addresses of its parent, subsidiary and affiliated companies with a brief description of the character of their business and the nature and extent of their affiliation. Included also is a statement as to whether or not the company believes that the operations of such companies should be consolidated with those of this company for renegotiation on an overall basis if such renegotiation be required.

Information Sought

The questionnaire itself seeks information on the following items:

1. The volume of sales during the latest complete fiscal year that is subject to renegotiation and the volume that is not subject to the act.

2. A breakdown of the sales to renegotiation according to departmental purchasers.

3. A list of salaries, as well as other compensation, paid to officers and employees who received over \$10,000 a year for the latest complete fiscal year. This listing is to include not only the annual rate paid so far in 1943 but also earnings for each year back to 1940. In case of companies which have paid more than \$10,000 a year to more than five in-

dividuals, only the five top salaries need be included.

4. The scope of Government assistance in financing, including the amount of bank loans secured under Regulation V of the Federal Reserve Board and the estimated value of facilities furnished or financed by U. S. Government.

5. A determination whether income before Federal income and excess profits taxes for 1941 or 1942 differ by more than 5 per cent from net income for Federal tax purposes shown by tax returns filed or as finally determined.

6. Explanation of charges, if any, that are set aside for such purposes as post-war conversion, inventory shrinkage, or other contingencies that are claimed as taxable deductions.

(Continued on Page 26)

A Prime Contractor Gives His Views on How to Handle Terminations

(Continued from Page 9)

D. When claims are complete, including credits for sale of materials and any scrap credits applicable, have them checked and approved by prime contractors engineering and auditing departments, and then submit them to the Government for approval. Some such letter as the attached Exhibit E should be used in requesting Government approval.

E. Upon receipt of Government approval of subcontractors and suppliers claims, secure a signed release covering each claim. Attached Exhibit F is a suggested form to be used by the prime contractor.

F. Pay claims only after they have been approved in writing by the Government and after signed releases have been secured.

G. Include subcontractors and suppliers net cancellation claims, as approved and paid, in prime contractors general cancellation claim.

H. Keep records complete and in good shape for current audits as well as future reference.

My final admonition is this—*be sure to get it in writing.*

Good Will Is to Be Well Guarded

(Continued from Page 19)

or increased acceptance among consumers as it had before the war.

I am sure that your investigators must have overheard a lady in the bus station when she told of having bought a certain bottled drink in a town some 100 miles north and that she would never buy such a drink again. Her memory will probably outlast the war and when ingredients become more plentiful and this particular drink is made again to conform to its pre-war tastiness, she will be none the wiser because she will never buy a drink under that particular name. This condition I do not believe can be associated with all manufacturers of soft drinks and I do not believe that people in general are taking advantage of the free spending of the public. Most firms have chosen this as their motto: "Better keep your old friends; they are true and tried. We owe them an obligation." This is true of products the same as it is of customers and all business has found out from the past that no permanent structure can be built on shifting sands.

American Business Is Fair

I MIGHT say a word about allocations. I believe you will find the American business firm fair about allocating its merchandise. Surely your investigators would find one or two instances where certain firms decided they could sell their products in a more limited area because of the cost of delivering and thus increasing their profit, but I believe that if your investigators will continue their work they will find, as we have found, that from the manufacturer through the wholesaler and to the retailer, there is a general attempt on the part of all business to be fair and equitable in its distribution.

The following lines by Wm. J. H. Boetcker, I think explain the ideas of all present-day business men:

"That cannot be justice for you, which means an injustice to others. That cannot be right for you, which inflicts a wrong upon others. That cannot be true gain for you, which means a loss to others. That cannot be real progress for you, which means degeneration for others."

That cannot be happiness and prosperity for you, which means misery and poverty for others."

PENALTY: No comment is necessary on the penal provisions of your order. It is so drastic that few of us could pay the penalty whether in dollars or in years.

ALTERNATES: Good Will, of course, does not lend itself to either rationing, priorities, limitations or hoarding, but we do have an order we think is a good substitute for the order which you have suggested and I should like to give it to you now.

An Unusual Order

THIS order is different, Mr. Rector, from all previous order in that it embodies these features:

- 1. It is written in simple, understandable language;
- 2. No person or firm is being compelled to comply with its provisions;
- 3. No specific definition is being

given for Good Will. Each business to make its own as Good Will has a general overall meaning to business men.

4. The penalties of this order are self-imposing, therefore, no enforcement agency is necessary.

5. The products covered are not now and shall never be rationed. No ceiling nor floor nor limit of any kind need be placed on its distribution. No priority shall ever be required for its use and no danger of hoarding need be feared, neither can it be subcontracted.

Mr. Rector, and gentlemen, I give you the order:

TITLE: "The Rule of Good Will."

PURPOSE: To preserve and increase Good Will during war times and thereafter.

BUSINESSES AFFECTED: Every going concern in the U. S. A.

THE RULE: "And as ye would that men should do to you, do ye also to them likewise." (Luke 6:31)

Calling All Classes

The inhabitants of Paradise were worried. It was impossible to know what really was going on in Germany any more, the Nazi communiques lied so much.

It was finally decided to send down a reporter. The choice fell on Methuselah, the aged saint who had seen everything.

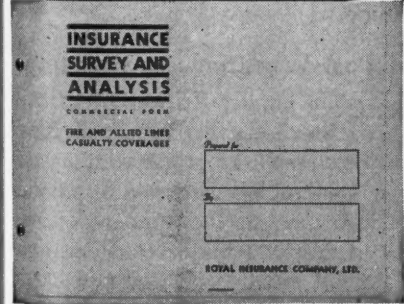
Twenty-four hours passed and Methuselah returned, on the run and gasping for breath. "What did you find out?" he was asked. "What's the real situation down there?"

"Well," said Methuselah, when he had regained voice, "when I got to Germany, they were just calling up my class, so I got out of there in a hurry."—The Churchill Gazette.

Positive Maid

He—If I had a million dollars do you know where I'd be?

She—I'll say. You'd be on OUR honeymoon.—Modern Pulverizing.



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Latin-American Credit Survey

30th Semi-Annual Report on Credits and Collections

C For the first time in the history of this Survey, every Latin-American country reaches top ranking in both Credit and Collection classifications. This is the culmination of an upward trend which has been in progress, as recorded in these surveys, since July of 1940. In the majority of countries under survey, credit and collection indices have now risen steadily for three years, according to the judgment of United States manufacturers and exporters whose contributions to these surveys represent their actual credit and collection experiences in the markets covered. Credit-wise, this 30th Semi-Annual Survey finds all Latin-American markets rated as "Good," and all are classified "Prompt" as regards Collections.

Terms "as Usual"

INCLUDED in this survey was a comparison of Terms granted in the first six months of 1943 as compared with those granted during the year 1942. The result of the Terms survey demonstrates once more the accuracy of the statement repeatedly made by this Bureau that "nine out of ten exporters continue to accord their Latin-American buyers usual terms." The "Terms" survey for the first half of 1943 showed 90% of the members of the Bureau reporting their terms as unchanged from 1942, while a considerable number, averaging 7% in some countries, reported more liberal terms. A small minority, in no case exceeding 10% reported less liberal terms in the first half of 1943 as compared with 1942. This represented a close duplication of the results of the 1942 Terms survey which was based on a comparison of terms granted during the year 1941 and demonstrates beyond doubt the fact that the United States exporter is doing his very best to maintain "business as usual terms" to his Latin-American customers, despite the fact that "business as usual" was among the first of our war casualties.

In achieving this record-breaking classification in both Credits and Col-

By **PHILIP J. GRAY,**
Manager, Foreign Credit Interchange
Bureau, N.A.C.M.

lections, six Latin-American countries moved into the "Good" rating under the "Credit" column which was headed by Panama, British Possessions and Mexico, with Nicaragua and Haiti closing the list. The "Prompt" classification in the "Collection" column was headed by Argentina, British Possessions, Cuba, Ecuador, El Salvador, Netherlands Possessions and Peru, with a rating of 100%, while Puerto Rico with 93% and Paraguay with 89% completed the list.

Dollar Balances Now

IT is worthy of note that the upward trend of credit and collection conditions in Latin-America as recorded in this survey since 1940 closely parallels the trend in trade between the United States and Latin-American countries in that same period. In 1940 our trade with Latin-America showed an export balance of \$126,000,000 and thereafter, in a complete reversal, registered import balances of \$106,000,000 in 1941 and \$400,000,000 in 1942. This Latin-American favorable trade balance, together with other U.S. wartime expenditures and financing in Latin-American countries has resulted in the accumulation there of very substantial gold and foreign exchange reserves. Some idea of the size of those reserves may be gained from the fact that eleven Latin-American countries reported gold and foreign exchange reserves of \$1,325,000,000 in December 1942 and tentative estimates at the end of March 1943 raise that figure to \$1,500,000,000—this in comparison to a total of \$775,000,000 in 1940 for the same eleven countries.

It seems highly probable that Latin-American export balances will continue to grow this year. Our wartime needs continue to expand with our military activities and Lend-Lease operations, which reached the grand

total of \$11,893,000,000 up to June 1, 1943 show no signs of slackening, having required \$790,000,000 in the month of May just past. Relief and reconstruction demands will grow as our Armed Forces liberate Axis-dominated territory and it is unlikely that current shortages will be eased until those needs have been fairly well met.

Improvement in Shipping

OUTSTANDING in the year's experiences so far has been the altogether unexpected improvement in the shipping situation to many markets—a condition that exporters fervently pray will continue. It is hoped that the announced increases in imports of such items as coffee, cocoa and sugar made possible by the shipping improvement will be followed soon by corresponding increases in exports, though few expect such increases to have any considerable effect on Latin-America's current trade balance.

Export controls still continue cumbersome and necessarily - restrictive and while the Decentralization Plan which is just getting into operation has worked some hardships and has brought about some further delays in its initial stages, it is hoped that these are temporary and that the Plan, with some modifications will eventually serve to improve the lot of the U.S. exporter and of his Latin-American customers.

Post-War Considerations

WHAT impact Latin-America's sizable dollar balance will have upon our post war trade is a matter of considerable discussion among U.S. exporters at the moment. Certainly it deserves major consideration and it will have to be weighed carefully along with such war-occasioned changes in Latin-America as increased industrialization and inter-country-trading, shifts in markets and commodities and a host of other emergency developments, many of which will remain when the war is past. These and many other consid-

erations will be most pressing just at the time when the whole world will be clamoring for supplies of every description, confronting the exporters of the United States with a problem and a challenge that represent at the same time an opportunity unsurpassed in the history of our foreign trade.

The 215 American manufacturers and exporters contributing to this survey are located in all parts of the United States. They represent a veritable cross-section of American products, the majority of them reporting on all of the markets included in this survey. In compiling this survey, no consideration is given to the question of Governmental debts or service obligations, and the classification of "Credit Conditions" refers to the situation within the various Latin-American markets from the commercial point of view only, as judged by American manufacturers and exporters. Comments made by those replying to the survey under the general heading "Collection Conditions" may be considered as indicating the current trend based on the definite experience of American manufacturers and exporters having commercial collection items in the markets surveyed. The "Terms" feature of the survey simply reports whether members' terms to Latin-American buyers during the first half of 1943 were "unchanged" or "more liberal" or "less liberal" than those granted during 1942, and the replies have been listed country by country in a percentage figure.

Credit Conditions

IN SO FAR as the present semi-annual survey is concerned, which covers credit conditions prevailing in the first six months of 1943, the members of the Foreign Credit Interchange Bureau rate all Latin-American markets as "Good." No rating was given the French Possessions in view of the fact that transactions there are on a cash basis through officially licensed sources. A comparison of Credit and Collection Index figures by country is attached hereto.

Six countries, Bolivia, Haiti, Paraguay, Nicaragua, Costa Rica and Honduras are newcomers to this classification, having been rated as only "Fairly Good" in the previous survey.


GOOD: PANAMA, BRITISH

POSSESSIONS, MEXICO, CUBA, BRAZIL, VENEZUELA, COLOMBIA, URUGUAY, ARGENTINA, PERU, CHILE, NETHERLANDS POSSESSIONS, PUERTO RICO, GUATEMALA, EL SALVADOR, COSTA RICA, ECUADOR, BOLIVIA, DOMINICAN REPUBLIC, HONDURAS, NICARAGUA, HAITI, PARAGUAY.

Fairly			Very
Good	Fair	Poor	Poor
NONE	NONE	NONE	NONE

Collections

THIS is the second survey in which all markets are listed as "Prompt" and is the fifth, consecutive, semi-annual survey in which not a single one of the markets under consideration is rated as "Slow" or "Very Slow" from the point of view of collections. The current survey of collections in percentages of replies received is attached, hereto, in a country-by-country listing. French Possessions are not rated. PROMPT: NETHERLANDS



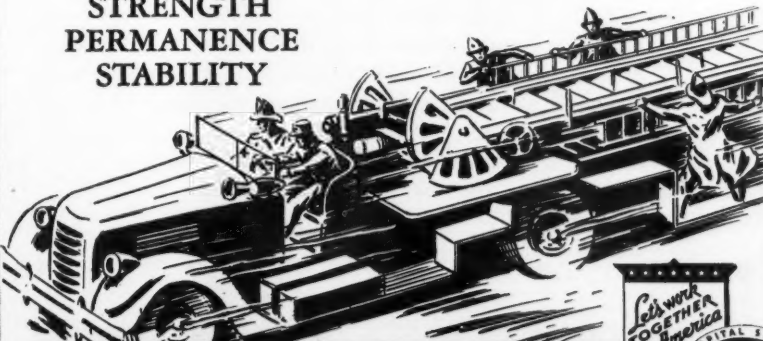
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OCCIDENTAL Insurance Company
SAN FRANCISCO
New York • Chicago • Los Angeles • Boston • Atlanta

FIREMAN'S FUND Indemnity Company
OCCIDENTAL Indemnity Company

Let's work TOGETHER for America
Standard STOCK EXCHANGE
PROPERTY INSURANCE

DEPENDABLE INSURANCE SINCE 1863

POSSESSIONS, PERU, BRITISH POSSESSIONS, CUBA, ECUADOR, EL SALVADOR, ARGENTINA, COLOMBIA, MEXICO, PANAMA, COSTA RICA, DOMINICAN REPUBLIC, VENEZUELA, GUATEMALA, BOLIVIA, HONDURAS, URUGUAY, CHILE, BRAZIL, HAITI, NICARAUGUA, PUERTO RICO, PARAGUAY.

Fairly Prompt Slow Very Slow
NONE NONE NONE

THIS survey once more demonstrates the fact brought out in the previous report that "nine out of ten" U.S. exporters during the first-half of 1943 continue to give their Latin-

American buyers the same accommodations granted them during 1942. It is noteworthy in the case of the Netherlands Possessions that 97% of the Bureau members participating, reported no change in terms—94% reported terms unchanged in Puerto Rico—93% reported terms unchanged in Brazil, with 91% reporting no change in terms in Argentina, Guatemala, Mexico and El Salvador. Greatest changes were registered in Bolivia and Paraguay. In Bolivia 85% of the members reported terms unchanged—7% more liberal and 8% less liberal, while in Paraguay, 85% reported unchanged terms—5% more liberal and 10% less liberal.



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Senator Murray Would Speed Termination Cash

SENATOR James E. Murray, chairman of the Senate Small Business Committee is at work during the Congressional recess on a bill which he plans to introduce when his colleagues return late in September to provide for "prompt and liberal payments in advance of final settlement on all terminated war contracts." Under Senator Murray's direction, the staff of the Small Business Committee is at work on drafting a bill which would cover the following points:

- (1) Mandatory advance payments in advance of final settlement to contractors and subcontractors;
- (2) Advance payments of at least 75 per cent of the amount certified by the contractor and subcontractor;
- (3) Such payments to be made within 30 days after certification;
- (4) Authority for procurement agencies to make direct loans, or provide loan guarantees through private banks, against terminated contracts;
- (5) Right of contractor or subcontractor to sue the Government if he does not receive the minimum amount within the stipulated period;
- (6) Establishment of uniform contract termination policies by the chairman of the War Production Board.

Many details of the proposed bill remain to be worked out.

Senator Murray is also chairman of the contract termination subcommittee of the Senate Committee on Military Affairs, the other members of which are Senator Truman (Dem., Mo.), and Senator Revercomb (Rep., W. Va.). Public hearings before the Contract Termination Subcommittee are expected in the early fall.

No Saturday Holiday for Your Freight Department

THE Office of Defense Transportation and the Interstate Commerce Commission on July 20th called on all receivers of freight to arrange immediately for full six-day-a-week receipt of carload and less-than-carload shipments.

The joint appeal was made in a statement issued by Joseph B. Eastman, Director of Defense Transportation, and Interstate Commerce Commissioner J. Monroe Johnson, who is in charge of car service matters for the I. C. C.

NEWS ABOUT CREDIT MATTERS

A section devoted to
Credit Association affairs

August, 1943

Copy deadline
10th of Month

Smaller War Plants Corporation Seeks NACM Cooperation

Brigadier-General Robert W. Wood, Vice-chairman of the War Production Board and Chairman of Smaller War Plants Corporation has asked the National Association of Credit Men to assist in a survey of manufacturing plants which may be in need of production orders to enable them to survive the war period in a healthy condition. In a bulletin to Association Presidents and Secretaries dated July 20, Mr. Heimann outlined correspondence he has had with General Wood and just how it was proposed that NACM could assist the Smaller War Plants Corporation.

Brigadier General Wood has accepted the proposal made by Mr. Heimann as follows:

"Our first job is to know where the open facilities exist among small plants, and to know enough about these individual situations to carry on intelligent transaction aimed to take advantage of this productive capacity for the war effort, either in the production of weapons of war or essential civilian needs. This appears to be a rather simple undertaking, but our experience indicates that it requires the most careful thought and study. We are most anxious that we put this job first, because without this we cannot take any of the subsequent steps that are necessary.

"We therefore, would be delighted if your local manager were to call on our Regional Director, with a copy of this note as his letter of introduction."

In his bulletin to Association Presidents and Secretaries, Mr. Heimann said in part:

National Board Will Hold Fall Session at Detroit, Sept. 23-25

The fall meeting of the National Board of NACM will be held at Detroit on September 23, 24 and 25. The location of the meeting will be announced in the September issue. A number of important Association matters are to be decided at this meeting. Paul W. Miller, National President urges all national officers and members of the Board to plan to attend this September meeting.

"I particularly recommend to the Presidents and Secretary-Managers in the Regional cities that they follow through immediately with these contacts. At this conference you should explain ways and means of being of help. I think it is also most important that you keep this office informed of your progress. (See Page 30)

National Committee on Par-Clearance of Checks Seeks Data

A questionnaire was submitted to all NACM Association Secretaries during July, seeking information on how general is the practice by banks of making collection charges on checks. Among the questions asked was one to determine the prevalence of such charges and the amount credit departments have to pay in the course of a year for the collection of checks through banks.

In some localities in the South banks operating under state charters have set up collection charges on checks. All national banks and those holding membership in the Federal Reserve System are compelled to clear their checks without charge. The state of Iowa recently passed a law providing for the par-clearance of checks drawn on any bank or trust company organized under an Iowa charter.

The object of the questionnaire by the Par-Clearance Committee is to determine just how prevalent is the custom of making charges by banks for the collection of their checks. If it is found that this practice is confined mostly to certain states or certain localities, the committee plans to center its efforts in such places rather than to attempt a nationwide campaign.

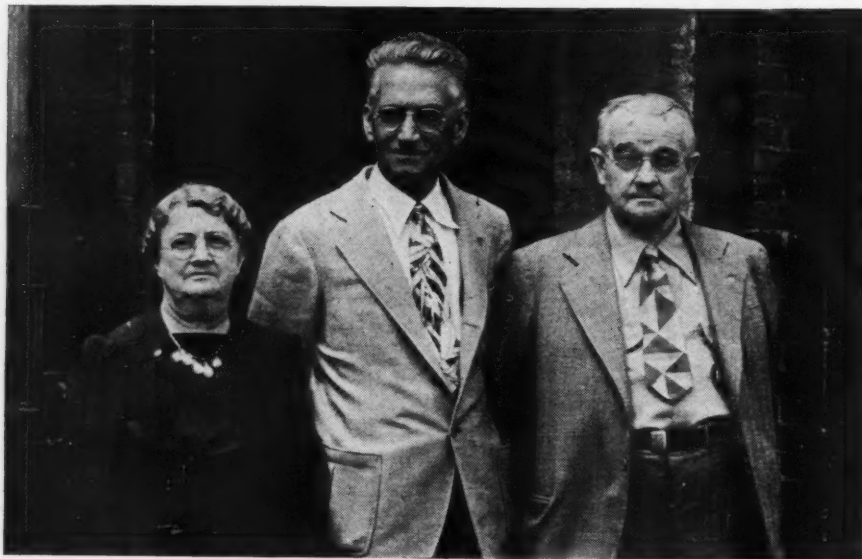
Association Secretaries are urged to respond promptly to the questionnaire on this important subject which was covered in a bulletin from the National Office, dated July 12. This information is quite necessary before completion of plans for the committee's campaign this fall.



National President Paul W. Miller was given a testimonial dinner at the Piedmont Driving Club by members of the Georgia Association of Credit Men. S. M. Wilson, President of the Georgia A.C.M. (left) is shown congratulating President Miller, right, as Charles F. Stone, President of the Atlantic Steel Co. (of which Mr. Miller is Vice-President and Treasurer) beams his approval.

Ernest Kilcup Is Honored By Davol Family

Providence, R. I.: Ernest I. Kilcup, who was President of The National Association of Credit Men during 1933-1934, was signally honored June 30th by the entire roster of employees of the Davol Rubber Company, of which he is President and Treasurer. Mr. Kilcup was welcomed to the platform by Ralph D. Berry, the Company Vice-President, who introduced Walter Goff who is the Company's oldest active employee in the years of service. He



has worked for the Davol Rubber Company for fifty-seven years. Mr. Goff read and presented to Mr. Kilcup an illuminated scroll, which had been especially prepared, welcoming him as a member of the Davol Quarter Century Club which now has eighty-one living, active members. Surely this is a record for a company of this size.

Miss Mary McPartlan, whose years of active service are exceeded by only one other woman employee, pinned the Quarter Century Club emblem on Mr. Kilcup's coat lapel. Miss Mary McPartlan represented the oldest woman employee whose name, strangely, is very similar, Mary McPartland, who was prevented by illness from being present.

In conveying the admiration and congratulations and deep, good wishes of all of the Company's employees, Mr. Berry presented Mr. Kilcup with a gold cigarette case inscribed: "Presented to Ernest Irons Kilcup by the Employees of the Davol Rubber Company, 1918-1943."

In addition, Mr. Kilcup was handed a leather-bound testimonial book which contains the signatures of every active employee of the Company, each one of whom had contributed to Mr. Kilcup's gift.

POSITION WANTED AD:

Wanted, employment as accountant, credit manager or salesman. Experience, 14 years as District Manager of Credit Association of Western Pa., Johnstown, Pa. Write for details: J. R. Vogle, District Manager, Credit Association of Western Pa., 634 Swank Bldg., Johnstown, Pa.

Bridgeport First in Per Cent of Gain

In giving a report of the membership campaign in the July issue the fact that Bridgeport registered the highest per cent of gain was overlooked. The final figures show that Bridgeport had a gain of 121.73 per cent. Philadelphia which won first honors in Class A had a gain percentage of 112.89. Bridgeport is entitled to special honor for this excellent showing.

Art Johnson Named Secretary-Manager by Los Angeles Assn.

Los Angeles: Arthur Johnson, for many years Manager of the Los Angeles Board of Trade, has been named Secretary-Manager of the Los Angeles Credit Men's Association in which position he succeeds the late S. P. (Vane) Chas. Art Johnson was closely associated with Mr. Chase for a number of years as the Board of Trade served as the Adjustment Bureau for the Los Angeles credit men.

Mr. Johnson attended many of the National Conventions and has a wide circle of friends in all sections of the country who will wish him success in his new position.

O. E. Johnson Goes to Chicago Interchange

Chicago: O. E. Johnson, who formerly served as Secretary-Manager of the Youngstown Association of Credit Men, has been appointed as manager of the Credit Interchange Bureau of the Chicago Association of Credit Men. He assumed his new duties on July 1st.

Bruce R. Black, 1206 Central Tower, Youngstown 3, Ohio, has been appointed Secretary of the Youngstown Association as a successor to Mr. Johnson.

Chicago Groups to Hold Dinner Oct. 13

Chicago: The annual credit group dinner of The Chicago Association of Credit Men will be held Wednesday evening, October 13. A speaker of national reputation will be secured and the annual award will be made to the group having the best record for attendance throughout the year. The Chicago Association of Credit Men is issuing a new directory of the Association to be presented as the July issue of *Credit News*. This will be the first new directory issued in three years.

Walter H. Lapham Is President at Rochester

Rochester: Walter H. Lapham, Weed & Company, 15 Exchange Street, is the President of the Rochester Association of Credit Men. Other officers elected are as follows: Alfred F. Janus, Union Trust Co., 1st Vice President; 2nd Vice President (to be appointed); Walter B. Sullivan, Lincoln-Alliance Bank & Trust Co., Treasurer; Irma B. Mears, Acting Secretary.

Toledo Zebras Golf

Toledo: The Toledo Herd of Zebras was host at a golf tournament and dinner at the Chippewa Golf Club on July 21st. The Zebs held a similar event in June when the event proved such a success that a repeat performance was scheduled.

Conference Is Held On Contract Termination By Chicago "C" Men

Chicago: A conference on the Cancellation of War Contracts in the Ordnance Department under the auspices of the War Activities Committee of the Chicago Association of Credit Men was held on Wednesday, July 21 at the Hotel Sherman.

Those taking part in the conference were: Brigadier General Thomas S. Hammond, District Chief, Chicago Ordnance District; Henry Isham, Chief, Planning Division; Lt. Colonel George V. Roundtree, Chief, Contract Service; Lt. Colonel Frank W. Parker, Jr., Executive Officer, Contract Service; Major Frank W. Renwick, Jr., chief legal branch.

A feature of the conference was an actual round table on cancellation of a war contract. The Government men present at the conference explained the various steps in the settlement of a terminated War Production contract.

This meeting was largely publicized and many executives were present in the crowd of some 800 present. This conference was voted of great import to business executives.

Duluth to Be Host to Annual Conference of North Centrals

Duluth: This city will be host to the annual Credit Conference of the North Central Credit Conference Association on August 21st. A complete program is being arranged for an all-day discussion of subjects of present importance to credit executives. The conference will close with a banquet which is to be addressed by Henry H. Heimann. His subject will be "Credits After V-Day."

Horwitz Is Named Secretary of The Meis Shoe Company

Cincinnati: Edward S. Horwitz, a member of the Board of Directors of the Cincinnati Association and for several years Credit Manager of the Charles Meis Shoe Company, has been advanced to the position of Secretary of his company. Several years ago Mr. Horwitz served as manager of the Collection Department of the St. Louis Association of Credit Men.

C. G. Raddant to Lead Green Bay

Green Bay: C. G. Raddant, Wolf River Paper and Fiber Co., Shawano, Wis., is the new president of the Northern Wisconsin-Michigan Association of Credit Men. Other officers elected at the annual organization meeting held on July 15th were: Gordon Ware, Straubel Paper Co., Green Bay, vice-president, and S. M. Greiling, Wisconsin State Bank, treasurer. Emmett Below, immediate past-president will serve as chairman of the membership committee.

E. C. Mettauer Heads Pittsburgh Interchange

Buffalo: Emil C. Mettauer, Pittsburgh, Plate Glass Company, has been re-elected President of the Western New York Interchange Bureau, Inc., the service unit of the Credit Men's Association of Western New York. Other officers elected by the Board of Directors at its recent organization meeting were: Miss Gertrude J. Nelson, of Hubbs & Howe Co., Vice President; Ira D. Johnson, Secretary-Treasurer and Manager.

Lew Ashby Is Superzeb of Los Angeles Herd

Los Angeles: Lew Ashby is the new Exalted Superzeb of the Los Angeles Herd, Royal Order of Zebras. Six Quaggas were initiated at the first round-up of this Herd which was held on July 23rd, at the Alexandria Hotel. On July 31st the members of the Los Angeles Herd held a tree-chopping party at the home of Mrs. Vane Chase, the object of the party being to remove a large tree which had fallen in the back yard. Many hands soon made light work of this rather strenuous task.

Kenneth Thomson Is Named Manager At Cleveland Assn.

Cleveland: Announcement was made by the Board of Trustees at the Cleveland Association on June 30th that Kenneth S.



Thomson, who has served for the past fifteen years as Secretary of the Whole-

salers Credit Association of Oakland, has been selected as the new Secretary-Manager of the Cleveland Association of Credit Men, effective September 1st.

Hugh Wells recently presented his resignation as Secretary-Manager to devote all of his time to the practice of law. Mr. Wells has been Manager of the Adjustment Bureau for the past twenty-two years and Secretary of the Cleveland Association for the past ten years. Mr. Wells will continue to serve as General Counsel for the Cleveland Association.

The Board of Directors of the Cleveland Association has named J. W. Lerner, Controller and Assistant Treasurer, Harshaw Chemical Company, as President of the Cleveland Association. L. W. Stolte, Branch Credit Manager of Fairbanks, Morse & Co., was named 1st Vice President; and E. B. Gausby, Assistant Treasurer, The Warner Swasey Company, 2nd Vice President. W. T. McWade, Union Bank of Commerce, was named Treasurer.

Geo. V. Bennett Is So. Bend President

South Bend: George V. Bennett, Northern Indiana Public Service Corporation, is the new president of the South Bend Association of Credit Men. Other new officers are: J. A. Schmidt, Jr., American Foundry Equipment Co., first vice-president; A. A. Sekus, Empire Box Corporation, second vice-president; E. V. Kidd, Studebaker Corporation, counselor.



Can You Afford to Pass Up What Employers Mutual Policyholders Are Saving?

The money you pay out each year for Automobile, Workmen's Compensation, and Public Liability Insurance premiums is a direct expense charge on your business and an opportunity to save money on these premiums should be of immediate interest because one of your greatest responsibilities is the control of business costs. Briefly, would a saving of up to 20% on these insurance premiums interest you—plus the finest Protection and Service an insurance company can possibly offer? Then investigate the proposal of Employers Mutual—one of the leading casualty insurance carriers of America—whose policyholder list contains some of the most prominent names in American business. Let us present the facts and figures that will convince you of the merits of our proposal. No obligation—just phone or write.

Employers Mutual

LIABILITY INSURANCE COMPANY OF WISCONSIN
HOME OFFICE: WAUSAU, WISCONSIN

OFFICES IN THE PRINCIPAL CITIES OF THE UNITED STATES

St. Louis Committees Celebrate Success of Credit Congress

St. Louis: The atmosphere of goodwill and friendliness which pervaded the De-Soto Hotel on Friday evening, June 18, was generated by the hundred or so enthusiastic credit men and women who joined in a dinner dance to formally disband the War Credit Congress committees.

Held in a light and gay mood, this meeting afforded all workers an opportunity for relaxation and appraisal in perspective of the results of the Convention. Frederick H. Schrop, National Director of the War Credit Congress, was the principal speaker. He delivered messages of greetings and thanks on behalf of National Association of Credit Men. Orville Livingston, Secretary-Treasurer and Manager of the St. Louis Association of Credit Men, read quotations from letters, many of which gave expression to several distinct observations which seemed evident to many visitors . . . a sincere and friendly hospitality plus earnest application to assigned duty on the part of every committee member.

The Convention songs were sung again under leadership of V. C. Eggerding, who served as General Chairman of the St. Louis Congress.

Foreign Traders in Chicago Form Group

Chicago: A new Foreign Trade Group has been organized by The Chicago Association of Credit Men under the direction of the Foreign Trade Committee of the Association of which J. C. Hajduk, Victor Chemical Works, is chairman.

Membership in the new Foreign Trade Group is confined to members of the Association who pay a service fee of \$30.00 per year which includes 10 monthly luncheon conferences and 1 evening dinner.

Thirty-five firms belonging to the Association have already joined the new group.

Seattle "C" Men Hold Annual Picnic July 17

Seattle: Members of the Seattle Association of Credit Men gathered at the Shrine Country Club on July 17th for the annual picnic and outing. A full day of sports closing with a picnic supper featured the outing which was attended by a large crowd. The annual golf tournament of the Seattle Association will be held on August 12 at the Glendale Country Club.

Annual Meeting at Amarillo, Texas

Amarillo: Members of the Tri-State Association of Credit Men, Amarillo, Texas, has held their Annual Meeting July 19th.

Out of town guests included Miss Annie Porter, National Director, Santa Fe, New Mexico, and C. C. Heitmann, National Director, Fort Worth, Texas.



J. V. Marron, new President of Credit Men's Association of Eastern Pennsylvania has set as a goal for his administration another membership trophy in Class A.

Our Distaff Side

Utica: The Credit Women's Club of Utica feted their newly elected president, Mrs. J. Martin Casalett, formerly Helen J. Switzer, at the annual picnic. The event was held at the home of Winthrop Steinbach, Chuckery Corners, Clinton, and was in charge of Misses Dorothy Jensen, Doris M. Weir and Margie Rowe. The bride was presented with a silver center piece. Following supper, Miss Cecelie Lindacher, retiring president, gave a detailed report on the National Credit Conference held in St. Louis in May. An old-fashioned fire-side sing followed general discussion.

El Paso: Members of the Credit Women's Club of El Paso presented a movie which their members produced and filmed, to the luncheon group of the Tri-State Association of Credit Men, on Wednesday, July 14th.

The film, captioned "Clementine, The Beautiful Miner's Daughter," is a thrilling drama complete with villain, hero, heroine, etc., etc.

Cleveland: Thirty-two members of the Credit Women's Club attended the annual picnic at the home of Anne Linde and Agnes Weiler on Center Ridge Road on June 26th. The arrangements for the picnic were under the chairmanship of Kathryn M. Sirc. Sports events featured the program with a delicious chicken dinner as one of the main features.

Toledo: The Toledo Credit Women's Club held a picnic dinner at the home of the president, Mrs. Elmer Miller. Assistants in credit departments were especially invited.

Women Now Enabled to Contract in Florida Under New Statute

Tampa: A new Florida state law which became effective on June 10th sets forth the qualifications under which married women may enter into business contracts. The law provides that a married woman who wishes to be a "free dealer" must file a petition with circuit court. The petition must set forth that she has the written consent of her husband to engage in business or that a printed notice of her petition for such a license had been printed for two consecutive weeks in a publication of general circulation in the county in which the petitioning woman resides. After the court grants the petition the decree is then registered in the office of the County Clerk and thereafter "such married woman shall be authorized to take charge of and control her estate, contract and be contracted with, to sue and be sued and to bind herself as fully as if she were unmarried."

Robert O. Bonner Named Indianapolis President

Indianapolis: Robert O. Bonner, Credit Manager of L. S. Ayres & Company, one of the nation's largest department stores, was recently elected President of the Indianapolis Association succeeding Wm. C. Grauel. Mr. Bonner recently completed 40 years of service with Ayres. Twenty-five years ago in World War I he was also President of the Association. He is the first retail credit manager to hold the presidency since the other war.

Indianapolis has been very successful in membership work and Mr. Bonner pointed out that the membership had approximately doubled within six years under new sales and service methods.

Name Two New Men on New York Board

New Jersey: The election of Ray Hedman, of the Western Electric Company, Inc., and Harry F. Schieman, of the Chemical Bank & Trust Company, to the Board of Directors of the New York Credit Men's Association, was announced today by Nash S. Eldridge, president. Mr. Hedman formerly was a member of the Board but Mr. Schieman is serving for the first time.

SWP Asks Aid Of NACM Members

(Continued from Page 27)

"I honestly feel that our local offices are in fine position to be of real service to their members and the Smaller War Plants Corp. I hope we can get some action in the Regional Offices for, as is indicated, if the contacts established there and the results prove worthwhile, I have no doubt this same measure of cooperation will be brought into being through all of our organizations."

Chicago Credit Men
Will Give Lectures
on Credit Subjects

Chicago: G. H. Nippert, The Procter & Gamble Distributing Company, President of the Chicago Association of Credit Men, announces the annual educational program of the Association under the direction of the Educational Committee of which G. E. Hedman, Kester Solder Company, is chairman.

Lectures by members of the Association will be given Monday evenings in the Auditorium of the Central YMCA. Two lectures will be presented each evening. The program of lectures is as follows:

September 27—"The Credit Profession, Past, Present and Future," by R. L. Seaman, The Florsheim Shoe Co.; "What Your Company's Customers Think of You," by E. B. Moran, National Association of Credit Men.

October 4—"Customer Credit Relations," by C. E. Steele, Hart, Schaffner & Marx; "Credit Department Organization," by A. L. Ludolph, Franklin MacVeagh & Co.

October 11—"Analyzing the Financial Statement," by Allen Selby, The Chicago Daily News, Inc.; "Analyzing the Financial Statement" (Continued) by Allen Selby, The Chicago Daily News, Inc.

October 18—"Collection Policy and Procedure," by W. B. Curtis, Barrett Hardware Co.; "Effective Collection Letters" (Speaker to be announced later).

October 25—"Foreign Credits," by M. C. Hesse, Continental-Illinois National Bank & Trust Co.; "Legal Remedies," by W. H. Hottinger, Jr., Bowery's, Inc.

Monday evening, November 1 a summary of the course will be given by Mr. Hedman, Chairman of the Committee to be followed by a written examination. Monday evening, November 8, a complimentary dinner to the students will be given with the officers and directors of the Association as guests.

Last year the total enrollment in the course in credit and collections was 106 and it is expected that there will be a larger enrollment this year.

Controllers Issue
48-Page Report on
Withholding Taxes

Troublesome questions confronting employers in connection with tax withholding are answered in a special 48-page report just issued by the Controllers Institute of America. Entitled "Withholding Problems Under the 1943 Pay-As-You-Go Tax Act," the manual contains the verdicts of a panel of tax experts from Government and Industry, comprising: Dr. Thomas C. Atkeson, head of the clearing division of the Bureau of Internal Revenue; G. F. Buck, supervisor of tabulating of the Bethlehem Steel Company; William L. Hearne, tax supervisor of the United States Steel Corporation; Stanley S. Surrey, tax legislative counsel of the Treasury Department, and Harry C. Gretz, chairman of the panel.

Business Thermometer

Wholesalers' Sales, Inventories, and Credits

May 1943

CFM Sales of 2782 wholesalers representing most kinds of business were 5 per cent higher in May, 1943, than in May, 1942, according to an announcement released today by J. C. Capt, Director of the Census. For the first 5 months of this year sales were up 4 per cent over those for the like period of 1942, but dollar volume was 8 per cent less in May than in April this year.

This monthly study is conducted jointly by the National Association of Credit Men and the Bureau of the Census. Detailed figures are presented in the following tables in summary for the United States, and, insofar as the data permit without disclosing individual operations, by geographic divisions.

On a year-to-year comparison, wholesalers' sales in May, 1943, showed gains for 25 of the 35 trades presented separately in this survey, and declines for 8 trades. Two (hardware industrial supplies and machinery, equipment, and supplies) showed sales at approximately the same levels as last year. Substantial increases in dollar volumes were experienced by wholesalers of dairy and poultry products, 31 per cent; fresh fruits and vegetables and clothing and furnishings, except shoes, each 30 per cent; confectionery and full-line wholesalers of groceries and foods, each 27 per cent; wines and liquors, 26 per cent; dry goods, 24 per cent; jewelry, 23 per cent; beer, 21 per cent; specialty lines of groceries and foods, 20 per cent; and automotive supplies, drugs and sundries, and voluntary-group wholesalers of groceries and foods, each 18 per cent. Moderate sales gains were recorded by wholesalers of metals (8 per cent), leather and shoe findings and meats and meat products (each 5 per cent), and paper and its products (4 per cent). Sales of paints and varnishes and of chemicals were slightly higher, than

last year, 3 per cent and 2 per cent, respectively. Among those trades reflecting downward trends, wholesalers of general hardware recorded a drop of 5 per cent; furniture and house furnishings, 15 per cent; and electrical goods, 24 per cent.

Inventories, in terms of dollars based on cost values, at the close of May, 1943, were 22 per cent lower than in May, 1942, but showed little change from the level of the preceding month.

The stock-sales ratio for wholesalers at the end of this May was 112 as against 149 for last May and 105 for April, 1943. Of the 32 trades for which stock-sales ratios are shown, 3 registered increases, May, 1943, compared with May, 1942. Wholesalers of lumber and building materials, with sales 17 per cent less and inventories 15 per cent less, showed a stock-sales ratio of 83 for this May as against 79 last May. With sales up 11 per cent and inventories up 31 per cent, wholesalers of tobacco and its products revealed a ratio of 61 for May, 1943, and 54 for May, 1942. Wholesalers of shoes and other footwear disclosed a 5 per cent decrease in sales and a 31 per cent decrease in inventories, showing a stock-sales ratio of 73 for May, 1943, and 107 for last May. Dealers in plumbing and heating supplies recorded sales down 19 per cent, inventories down 31 per cent, and a May, 1943, stock-sales ratio of 113 vs. a May, 1942, ratio of 144.

Collections on accounts receivable were higher by almost 28 per cent this May compared with May, 1942, but slightly lower when compared with the preceding month. The collection ratio for May, 1943, was 106; for May, 1942, 83; and for April, 1943, 109. Accounts receivable were 20 per cent less as of May 1, 1943, than as of May 1, 1942; and at the beginning of this May were 4 per cent less than as of April 1, 1943.

Wholesalers' Sales and Inventories—May 1943

Kind of Business	Sales—Current Month				Sales—Year-to-Date		Inventory—End-of-Month (At Cost)				Stock-Sales Ratios ^a		
	Number of firms reporting sales	Percent Change		May 1943 (Add 000)	Percent change from 5 Mos. 1942	Five Months 1943 (Add 000)	Number of firms reporting stocks	Percent Change		May 31, 1943 (Add 000)	May 1943	May 1942	Apr. 1943
		May 1943 vs. May 1942	May 1943 vs. May 1943					May 1943 vs. May 1942	May 1943 vs. Apr. 1943				
United States.....	2,782	+ 5	- 8	\$286,424	+ 4	\$1,744,007	1,747	-22	b	\$199,265	112	149	105
Automotive Supplies.....	196	+18	- 3	4,379	+ 1	23,763	98	-21	b	3,717	169	260	174
Chemicals (industrial).....	16	+ 2	- 4	929	+ 3	9,806	12	-17	- 2	838	121	145	120
Paints and Varnishes.....	60	+ 3	- 3	3,620	+ 3	17,489	14	-19	- 1	1,223	150	205	149
Clothing and Furnishings, except Shoes.....	48	+30	- 8	3,794	+ 3	19,877	23	-38	+ 1	915	93	222	86
Shoes and Other Footwear.....	29	- 5	-30	13,268	b	83,586	16	-31	+22	4,388	73	107	42
Coal.....	7	+65	+14	1,460	+43	7,043	c	c	c	c	c	c	c
Drugs and Sundries (liquor excluded).....	122	+18	- 9	22,105	+17	128,367	95	+12	+ 2	32,030	181	192	160
Dry Goods.....	95	+24	-10	17,694	+24	97,400	51	-31	b	15,577	135	243	125
Electrical Goods.....	328	-24	- 9	26,166	-25	134,561	285	-53	- 1	14,335	58	95	53
Dairy and Poultry Products.....	30	+31	+12	1,578	+25	13,575	17	-50	-21	103	16	41	22
Fresh Fruits and Vegetables.....	83	+30	+ 2	5,022	+34	26,931	57	- 6	- 9	584	17	23	19
Farm Supplies.....	8	- 5	- 6	645	+31	8,915	c	c	c	c	c	c	c
Furniture and House Furnishings.....	55	-15	- 1	5,832	-12	38,058	33	-55	-17	3,812	82	155	98
Groceries and Foods, except Farm Products.....	606	+21	- 6	54,284	+13	339,179	372	-18	- 3	40,619	133	193	129
Full-line Wholesalers ^d	305	+27	- 2	23,623	+16	136,451	184	-19	- 4	18,005	132	205	133
Voluntary-group Wholesalers.....	140	+18	- 6	19,073	+ 6	113,941	96	-14	- 3	16,037	163	217	158
Retailer-cooperative Warehouses.....	20	+12	- 9	3,965	+ 4	21,269	13	-23	- 5	2,932	120	167	114
Specialty Lines.....	141	+20	-11	7,623	+22	67,518	79	-22	- 1	3,645	81	122	71
Confectionery.....	40	+27	- 9	715	+46	5,565	25	-23	- 4	248	52	84	47
Meat and Meat Products.....	87	+ 5	b	35,847	+ 8	182,063	64	-25	+ 2	5,560	43	54	40
Beer.....	61	+21	b	1,736	+33	8,569	47	-29	-12	373	26	44	29
Wines and Liquors.....	28	+26	-11	4,309	+45	42,292	21	- 2	- 6	5,391	135	181	131
Liquor Department of Other Trades ^e	34	+15	-22	5,405	+31	37,610	33	-23	+ 5	7,155	134	200	99
Total Hardware Group.....	355	- 6	- 6	37,494	- 9	220,798	221	-28	- 1	38,409	156	204	151
General Hardware.....	142	- 5	- 7	22,823	-12	127,098	88	-32	- 2	26,508	172	233	163
Industrial Supplies.....	106	b	- 4	9,815	+ 2	64,484	67	-15	b	8,683	136	161	132
Plumbing and Heating Supplies.....	107	-19	- 8	4,856	-17	29,216	66	-31	- 2	3,218	113	144	118
Jewelry.....	33	+23	- 7	1,971	+18	11,152	18	- 2	- 2	2,228	211	255	204
Optical Goods.....	17	+32	+ 4	335	+12	1,598	7	- 4	- 1	106	97	129	101
Lumber and Building Materials.....	57	-17	- 5	5,105	- 9	22,851	39	-15	b	3,094	83	79	78
Machinery, Eqpt., and Supplies, except Electrical.....	63	b	- 6	2,722	- 7	17,216	40	-18	+ 4	2,455	128	146	110
Surgical Equipment and Supplies.....	21	+72	+21	1,286	+23	6,568	13	+34	+ 4	1,092	99	142	121
Metals.....	30	+ 8	-15	4,009	+ 9	27,235	17	+ 3	+ 3	3,697	124	141	102
Paper and Its Products.....	93	+ 4	- 4	5,844	- 8	34,302	45	-12	+ 1	3,977	142	154	143
Petroleum.....	8	-25	- 8	574	+ 1	84,482	5	- 7	+ 8	342	69	63	58
Tobacco and Its Products.....	138	+11	- 1	15,735	+16	79,215	57	+31	+ 4	5,176	61	54	69
Leather and Shoe Findings.....	17	+ 5	-14	429	+15	2,403	c	c	c	c	c	c	c
Miscellaneous.....	17	+22	+ 7	2,132	+ 8	11,538	22	-27	- 2	1,821	109	163	114

^a These stock-sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. ^b Less than 0.5 percent. ^c Insufficient data to show separately. ^d Not affiliated with voluntary or cooperative groups. ^e Chiefly of the wholesale drug trade. Collection percentages are obtained by dividing the collections on accounts during the month by accounts receivable outstanding at the beginning of that month for an identical group of firms.

Wholesalers' Accounts Receivable and Collections—May 1943

Kind of Business	Collection Percentages ^a				Accounts Receivable		
	Number of firms reporting	May 1943	May 1942	April 1943	Percent change		As of May 1, 1943 (Add 000)
					May 1943 vs. May 1942	May 1943 vs. Apr. 1943	
United States.....	2,278	106	83	109	-20	- 4	\$235,903
Automotive Supplies.....	149	88	77	87	- 7	+ 4	3,430
Chemicals (industrial).....	14	77	81	97	- 7	+ 5	933
Paints and Varnishes.....	27	68	53	63	-17	+ 2	1,472
Clothing and Furnishings, except Shoes.....	46	86	59	82	-18	- 2	4,909
Shoes and Other Footwear.....	25	75	57	83	-26	-16	9,873
Coal.....	7	97	81	87	+19	-13	1,373
Drugs and Sundries (liquor excluded).....	111	95	74	97	- 9	- 2	21,664
Dry Goods.....	86	73	55	75	- 8	- 4	23,745
Electrical Goods.....	305	78	73	78	-26	- 2	34,137
Dairy and Poultry Products.....	19	253	170	206	-15	-10	376
Fresh Fruits and Vegetables.....	66	167	144	162	+14	- 1	1,935
Farm Supplies.....	5	90	84	112	b	-38	1,483
Furniture and House Furnishings.....	44	82	61	86	-41	b	6,365
Groceries and Foods, except Farm Products.....	461	144	104	148	-17	- 3	31,157
Full-line Wholesalers.....	218	137	97	139	-15	- 4	13,648
Voluntary-group Wholesalers.....	114	149	109	157	-20	+ 2	10,821
Retailer-cooperative Warehouses.....	18	214	172	210	-13	-12	1,722
Specialty Lines.....	111	131	91	133	-19	-10	4,966
Confectionery.....	24	116	78	113	- 9	- 5	469
Meats and Meat Products.....	80	223	173	238	-25	-10	13,980
Beer.....	26	161	129	159	- 3	+10	320
Wines and Liquors.....	23	150	100	148	-19	-13	2,324
Liquor Department of Other Trades ^d	32	144	72	144	-31	-21	4,794
Total Hardware Group.....	328	88	72	87	-26	- 1	40,250
General Hardware.....	130	93	70	91	-32	b	23,399
Industrial Supplies.....	95	85	81	84	- 3	- 2	10,430
Plumbing and Heating Supplies.....	103	77	68	80	-31	- 2	6,421
Jewelry.....	24	61	36	60	-26	+ 5	1,976
Optical Goods.....	14	101	75	104	-10	- 3	253
Lumber and Building Materials.....	54	96	83	95	-22	+ 5	5,444
Machinery, Equipment, and Supplies, except Electrical.....	53	88	83	90	-15	- 2	2,618
Surgical Equipment and Supplies.....	20	69	60	72	+ 6	+ 2	1,333
Metals.....	28	129	102	102	- 2	-18	3,388
Paper and Its Products.....	79	87	76	86	-10	- 1	5,922
Petroleum.....	6	133	115	127	-32	- 6	407
Tobacco and Its Products.....	93	162	133	167	- 9	+ 1	7,470
Leather and Shoe Findings.....	15	82	55	91	-20	+ 4	433
Miscellaneous.....	14	88	80	87	+ 5	+13	1,670

^a Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms. ^b Less than 0.5 percent. ^c Not affiliated with voluntary or cooperative groups. ^d Chiefly of the wholesale drug trade.